Diverting The Future:
The Funding of Iowa's Infrastructure

A history and analysis of the public policy debate surrounding Iowa's Road Use Tax Fund

Acknowledgments

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"The intent and purpose of this antidiversion amendment **[the 18th Amendment to the Iowa Constitution restricting use of highway user revenues]** *is to assure adequate highways and that a source of funds be available for that purpose; and at the same time limit the use of the fund and not allow it to become a general revenue measure to be used for governmental purposes totally foreign to highways.*

Therefore, it is the Iowa Department of Transportation's position that the Road Use Tax Fund is a separate and distinct fund from the General Fund. Proper use of the Road Use Tax Fund should not be unrelated and foreign to the highways."

- Darrel Rensink, Director
Iowa Department of Transportation
July 22, 1994

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Executive Summary

Iowa has chosen to finance construction of most of its local roads, streets and highways, and its primary highways out of a special trust fund constitutionally dedicated to this purpose.

* Article VII, Section (8) of the Iowa Constitution states that all tax revenue derived from the motor vehicle fuel excise tax, registration and issuance of certificate of title fees and all license fees shall be used exclusively for *construction, maintenance and supervision* of Iowa highways;

* It has been the practice of both the legislature and the official opinion of the Iowa Department of Justice that even when revenue not covered by the Iowa Constitution is placed in the same fund as protected revenue, the special protections of Article VII, §8 extend to all of the funds;

* Iowa's Road Use Tax Fund was created in 1949 and went into operation in 1950 as the repository fund for highway user generated revenue. Today this includes the excise tax on motor vehicle fuel including diesel fuel and agriculturally based fuel, excluding aviation and marine fuel. This also includes all registration and title fees minus the county share, the use tax placed on motor vehicles and accessories, license fees, the underground storage tank diminution fee and account interest. All of these funds, once deposited in the Road Use Tax Fund, are constitutionally protected;

* The Road Use Tax Fund is distributed between four subsidiary funds covering construction work on all roads of the state. This distribution formula is:

  - 47.5% to the Primary Road Fund for state highways and for the federal-aid highways. Controlled by the Iowa Department of Transportation;
  - 24.5% distributed to the 99 counties on the basis of size and established need for non-federal-aid county roads. Supplemented by property tax levies by the county. Controlled by the county board of supervisors;
  - 8% to the Farm-to-Market Road Fund for federal-aid designated county roads. Reimbursed by federal funding;
  - 20% to the municipalities of Iowa on the basis of size and need. Will be supplemented by municipal bonding, controlled by the city council;

* As a "trust fund", Iowans expect the money they pay to the state through their use of the highways to in turn be invested back into the highways.

The Road Use Tax Fund, despite being a specially protected trust fund, has been the center of a major public policy debate over the last few years. Despite the immediate need for increased amounts of revenue to be invested in highway construction, lawmakers have been diverting funds for projects either loosely related to construction or blatantly unrelated. Today, money being siphoned off through diversions is rising at least twice as fast as revenue coming into the Road Use Tax Fund. At this rate, there will one day be no money left for maintaining Iowa's highway system.

* In FY93, there was approximately $711million in gross revenue deposited in the Road Use Tax Fund. Diversions stripped away $170.44 million (RUTF and use tax diversions), and while a small portion of this will be returned to the road fund, the vast majority is entirely lost. Since FY85, approximately $1.199 billion has been lost from the road fund through diversions;

* Despite the threat to Iowa's ability to maintain its highway infrastructure, since 1990 the number of diversions has been rising at a rate faster than ever before. For FY85 there were 11 diversions of about $55.6 million. For FY95 there are 32 diversions of an amount estimated to total $196.48 million, out of an expected gross RUTF of $756.9 million;

* For those diversions of road money completely unrelated to highway construction, a way has been found around the constitutional protection by diverting money from the unprotected §423.24 Use Tax. The use tax is being used to fund the GAAP Account, the Rural Revitalization Program (Ethanol incentive), and the Underground Storage Tank clean up program as well as a number of smaller projects, all unrelated to highway construction or maintenance. Approximately $56.41 million will be lost through this Use Tax Loophole (this figure was calculated into the total amount expected to be lost through the diversions above);

* Both the Road Use Tax Fund and the Primary Road Fund are the sources of revenue for the Iowa Department of Transportation whose operating budget has increased by approximately 38% between FY88 and FY93, despite the reductions placed on state government by the Governor and the legislature;

* The Highway Patrol has grown at a phenomenal rate since being funded from the road use tax fund. At the same time its funding has nearly doubled, the number of public contacts has steadily declined.

* These diversions have had a serious impact on Iowa's ability to maintain highways. Construction contracts have dropped by approximately $90 million for FY93 since FY92, approximately 20% decline.

The impact of these diversions on Iowa's ability to maintain a first class horizontal infrastructure has been significant enough that the backlog of construction projects is nearly as great as the new accruing needs of the system. With the continued diversion of road money, Iowa will fall further and further behind in its ability to keep up with highway deterioration.

* Iowa's highway system is crucial to the state agricultural and manufacturing economies. Exports of Iowa products has been steadily rising and will almost certainly rise more quickly in the future due to the impacts of NAFTA and other international trading and tariff agreements. More and more, these goods will be shipped by the trucking industry over Iowa's highways;

* Highway transportation of products by the trucking industry has risen over 100% in the last couple of decades in Iowa, regular automobile transportation has increased by over 28%. Higher usage means a faster deterioration to the roadways. The Primary System, which is a mere 9% of Iowa's total highways, carries the lion's share of total travel, 60%, and of freight oriented trucking, 90%;

* On average, the interstate system is 21 years old, and the state highway system average age is 41.5 years old. Only 38% of these roads are considered to be at least 80% sufficient, with 25% considered less than 50% sufficient. Iowa is rated as one of the top ten states with the worst highway bridge conditions;

* For the period between 1990 and 2009, the Iowa Department of Transportation estimates that the cost of repair and maintenance for new or accruing projects is $18.48 billion plus an $8.67 billion backlog in projects which have not yet been completed. Out of the total IDOT hopes to spend in this twenty year period of construction, about 32% will have to be on projects rolled over from earlier years due to lack of funding;

* IDOT estimates that the total needs for the 1990-2009 construction period will be approximately $27.16 billion (new needs plus maintenance plus backlog needs). After taking stock of all resources for highway construction, including federal money and county and city resources, IDOT estimates the state will be $9.35 billion short by 2009;

* In an act of fiscal responsibility, the state should consider eliminating most of the diversions from the road fund and return this money to highway construction and maintenance, its intended purpose. It is estimated that over the next fifteen years, this could generate $1.2 billion to significantly shrink the gap between needs and resources in IDOT's twenty year construction plan and reduce the number of projects, which include dangerously deteriorated highways and unsafe bridges, which IDOT would have to roll over into the 2010 - 2029 construction plan.

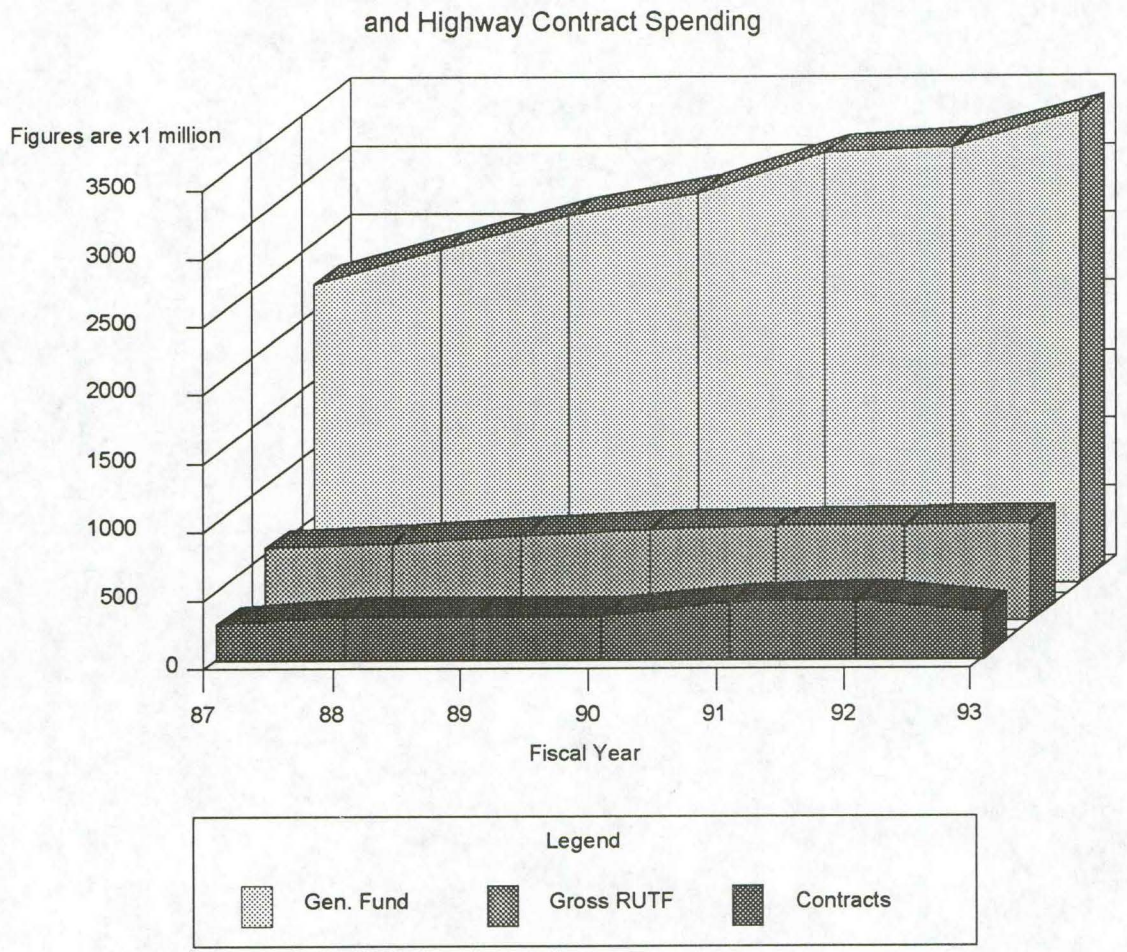
* After reviewing the off-the-top diversions from the road fund, excluding diversions for IDOT administration, the legislature should consider cutting the following diversions:

Diversions	Amount
GAAP Account (Use Tax)	$35,680,000
AFIS (Use Tax)	200,000
Rural Revitalization (Use Tax)	4,000,000
Department of Inspections and Appeals	920,000
Living Roadway Trust Fund	250,000
R.R. Grade Crossing Safety Fund	700,000
R.R. Surface Repair Fund	900,000
Driver's License Suspension Service	230,000
Department of Justice	200,000
Public Transit	7,140,000
Recreational Trails	1,000,000
State Highway Patrol	33,370,000
Department of Management	60,000
Department of Personnel	50,000
Total:	**$84,700,000**
Total over Fifteen Years:	**$1,270,500,000**

The legislature also needs to repay the Road Use Tax Fund "loan" to the Iowa Railway Finance Authority, most of the original $15 million is still outstanding.

The ability of Iowa's economy to participate effectively in the coming millennia, as trade becomes increasingly international, is closely tied to the condition of the state horizontal infrastructure. As Iowa diverts highway revenue away from road construction it bleeds away the future well being of the state.

General Fund v. Road Use Tax Fund



Part One:

A History of the

Road Use Tax Fund

Part One: History of the Road Use Tax Fund

Part One will examine the way the State of Iowa has funded its highway construction, development and maintenance programs over the latter half of this century. This includes the development of the current Road Use Tax Fund, the adoption of the 18th Amendment to the Iowa Constitution, the changes in revenues designed for highway usage, and the growing trend of siphoning off highway money for other uses. A year by year evolution of the Road Use Tax Fund from 1950 to 1994 is found in Appendix B of this paper, though a brief version is found in this section.

SECTION ONE: LIFE BEFORE THE ROAD USE TAX FUND

Funding of the Highway System prior to the Road Use Tax Fund (The 1940s)

Prior to the creation of the Road Use Tax Fund in 1949, highway construction was principally funded out of the state Primary Road Fund. Under the direction of the Iowa State Highway Commission, the revenue in the Primary Road Fund (PRF) was disbursed between the state and federal highway systems and the county road funds which consisted of the state Farm-to-Market Road Fund and the various secondary road funds maintained by each county under the control of the county board of supervisors. These funds for construction were supplemented by federal funds administered by the Federal Bureau of Roads, a division of the U.S. Department of Commerce, which provided funding for work on federal-aid highways, especially the new Interstate System designated in 1944 by Congress, as well as funding for the Farm-to-Market Road System.

Even in the 40s, both state and federal funding for highway construction was done under the idea of a user based revenue. State revenues included money generated from motor vehicle registration fees, the excise tax on motor fuel of 3 cents per gallon, and a compensation tax placed on trucks depending on their gross tractor-trailer tonnage. Regular motor fuel and truck fuel was taxed at the same rate. From this total was subtracted a small portion to the general fund for payment to the county treasurers and the Iowa State Commerce Commision.

Out of this revenue, the Primary Road Fund was only allowed to retain up to $17 million. Excess funds spilled over into the Farm-to-Market Road Fund to be used entirely for the matching of federal money. Further excesses from this fund were disbursed among the counties on the basis of size for use on the secondary road funds in the form of bond and indebtedness relief since the funding for county non-Farm-to-Market roads was done through county bonding and property taxes. Of the $17 million in the Primary Road Fund, the rest of the funding for the Highway Commission came out before the remainder was free to be used for construction and the matching of federal money.

NOTE: Original state law on the Primary Road Fund and on highway revenue were found in Title XIII of the Code of Iowa *which used a different section numbering system than the one currently used today.*

Information used here comes from the Code of Iowa, 1942 Edition, Acts of the General Assembly, 1942 - 1949 *and the legislative history of the* Federal-Aid Highway Act (P.L. 84-627).

Changing Times and the Building of Iowa's Horizontal Infrastructure

With the coming of World War II, the national need for a sound horizontal infrastructure became extremely apparent for the swift movement of men and supplies in support of the war effort. Production centers around the nation generated the raw material and supplies to be shipped out to the ports which in turn were transported over seas to both the U.S. Army and the allies in Europe and the Pacific. As an indirect result of the war effort, and the growing national role in years after, the nation as a whole began to come together and function more and more as a single unit. Both Iowa farmers and manufacturers began to find markets for their product more frequently beyond the borders of the state. Because of the war effort and world economic conditions, the United States was on its way to becoming the world's military and industrial super power. The U.S. recognized the need for a way to swiftly and efficiently transport more cargo around the nation via the rapidly expanding trucking industry. Nor did the end of the war decrease the national need for a way to move defense systems swiftly as the country plunged into the opening rounds of the Cold War. Thus, the need for a more efficient national highway system became the number one national concern for both national and international defense and industrial expansion.

In 1944, President Franklin D. Roosevelt's first message to Congress for that year concerned the national highway system and the extreme importance it played as the first plans were laid for developing the new National Interstate and Defense Highway System. He considered it extremely imperative to the end of the war effort and the future development of the United States:

"The recommended system follows in general the routes of existing Federal-aid highways and when fully improved will meet to optimum degree the needs of interregional and intercity highway transportation. Its development also will establish a transcontinental network of modern roads essential to the future economic welfare and defense of the Nation." *(Excerpt from House Document No, 379, printed in 90 Congressional Record 81.)*

These concerns were also reflected at the state level in Iowa. Governor Blue, in his State of the State address in 1949, right before the creation of the Road Use Tax Fund, stressed the importance of properly funding the highway system of the state and the need to continue the state investment in infrastructure:

"Iowa has more miles of roads in relation to the number of people and the number of square miles than any other state. [To] protect our original investment in primary roads, thousands of miles of paving must be widened and resurfaced in the next ten years." *(Excerpt from the Official Journal of the Iowa House of Representatives, January 11, 1949.)*

With the new interstate system being established and the increasing need for revamping Iowa's highway system, it was time to take the next step in establishing a new funding mechanism on both the state level (done in 1949 with the creation of the Road Use Tax Fund) and on the national level (done in 1956 with the creation of the Highway Trust Fund).

SECTION TWO: CREATION OF THE ROAD USE TAX FUND

18th Amendment to the Iowa Constitution

So important was the construction of a top rate highway system to the people of Iowa, and so important was it that the taxes Iowan's paid for use of the road continued going to the upkeep of the highways, that in 1939 state lawmakers began the process of adding a very special form of protection to the revenue generated from highway use. In an unprecedented move, a resolution passed the 48th General Assembly which would write into the Iowa Constitution a special directive which directed funds generated by motor fuel excise taxes and fees generated from vehicle registration and issuance of certificates of title to be used for highway construction and maintenance purposes and *for no other use*. The resolution passed both houses easily and, as prescribed by the Iowa Constitution, was submitted again in 1941 at the 49th General Assembly and once again passed by large margins supported by both Democrats and Republicans in each house. It was signed by Governor George A. Wilson and submitted to the people for a public vote where it received overwhelming approval and became the official 18th Amendment to the Iowa Constitution in 1942. The text of the 18th Amendment is as follows:

"**§8 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."

With the creation of the Road Use Tax Fund in 1949, a couple of new revenues were added to the current funds for road construction which had also become protected by the new constitutional amendment. However, the new revenues; including: the motor vehicle use tax, the heavy truck compensation tax; and the 10% sales tax, not being mentioned in the 18th Amendment, do not receive this special protection. But, common legal thought believes that once these unprotected funds are intermingled with protected funds, all of the revenue receives the constitutional protection: it is believed they are constitutionally protected since there is no statutory language which attempts to keep these blended funds separate. In 1969, Mr. Richard C. Turner, Attorney General of Iowa, in an official Opinion to the Director of Highways at the Highway Commission, set forth the concept of "mingled" funds granting protection to all revenue in the road fund and which is still considered the rule of thumb to this day. Other Code language has also been designed to reflect the uses directed under the 18th Amendment for road money as it pretains to municiple street funds and the Primary Road Fund:

"**§312.6 Limitation on use of funds.** Funds received by municipal corporations from the road use tax fund shall be used for any purpose relating to the construction, maintenance and supervision of the public streets."

And,

"§313.4, §§1. Said primary road fund is hereby appropriated for and shall be used in the establishment, construction and maintenance of the primary road system."

(All information compiled from the Official Journal of the Iowa House of Representatives of the 48th and 49th General Assemblies, The Iowa Red Book, and the *Code of Iowa, 1993 Edition, Published Opinions of the Iowa Attorney General, 1969*).

Creation of the Road Use Tax Fund in 1949

Reflecting both the state and nation mood for highway upgrading into a modern, national system, the 52nd General Assembly, in 1947, directed a special interim study committee to take a close look at the way the state was funding its highway construction. The committee found the Primary Road Fund as the principle repository of highway revenues inadequate for the task at hand, particularly with the new federal interstate programs bringing large amounts of revenue into Iowa. In 1949, the 53rd General Assembly chose to wipe out the old system and to start fresh with a new master fund. This set up the current funding mechanism which is still at the core of Iowa's highway funding today.

The new highway repository was the Road Use Tax Fund (RUTF). Into the RUTF was deposited the excise tax (then at 4 cents per gallon), registration and title fees, compensation tax fees and the newly re-directed use tax on motor vehicle fees, and 10% of the sales tax. Later, the sales tax portion would be reduced to 10% of the 4th quarter, and then later abolished altogether. The new RUTF also took in all of the federal money flowing into the state for highway purposes unless specifically directed elsewhere.

With the creation of the Road Use Tax Fund, all of the older diversions of road money to various parts of state government were abolished, both before and after their deposit into the master road fund. From the RUTF, money was then portioned out through the new distribution formula amongst the subsidiary road funds (which now included the Primary Road Fund). The distribution formula was as follows:

- 42% to the Primary Road Fund
- 35% to the various county secondary road funds
- 15% to the Farm-to-Market Road Fund
- 8% to the various city street funds

This is still fairly similar to the current formula in use today, with the biggest differences being in the apportionment to the Farm-to-Market Road Fund and the city street funds. As before, the county secondary road funds, and now, the city street funds were funds operated by each county and municipality for road construction not covered by federal funds and special state funds (such as the Farm-to-Market Road System), and were apportioned out to them by county and municipality area (today the funds are apportioned by both area and proven need). For the counties, this was the first time they were able to receive direct state revenue for secondary roads in a form other than pure bond relief, and, in fact, the process of issuing bonds for secondary road construction was stopped, although special property tax levies continue.

Originally, the Road Use Tax Fund was placed in Chapter 308A of the Code, but with the 1954 edition, it was placed in its present location, Chapter 312.

(Information from the *Code of Iowa*, 1950 and 1954 Editions, *Acts of the General Assembly in 1947 and 1949*, the Official Journal of the Iowa House of Representatives and the Official Journal of the Iowa Senate of the 53rd General Assembly and the Iowa Department of Transportation).

NOTE: Over the years the Road Use Tax Fund and the various mechanisms for its funding and its revenue distribution have undergone considerable alteration and modification, especially in the addition of multiple diversions and revenue increases. Far to numerous to itemize here, a year by year look at the development of the RUTF can be found in Appendix B of this report.

Part Two:

Public Policy and the

Road Use Tax Fund

Part Two: Public Policy and the Road Use Tax Fund

This is the core of this work, focusing on what the Road Use Tax Fund is, how it works and examining the diversions from it. This section will take a look at the purpose of the Road Use Tax Fund, the revenue sources which flow into it, the off-the-top and other diversions from it, the distribution formula, further diversions after distribution and the way in which the road money funds the Iowa Department of Transportation. The figures used in most of these listings can be found in the Road Use Tax Fund Chart on page 93.

SECTION ONE: THE ROAD USE TAX FUND AND HIGHWAY USER REVENUES

Question: "And what about contributing to pay for the repair of those potholes down on Main Street, right?"

Answer: "Hey, I pay taxes to have those things fixed."

Purpose of the Road Use Tax Fund

At its most basic, the Road Use Tax Fund was designed to be a revenue repository separate from the state General Fund. It is, in essence, the master road fund wherein are collected all of the net revenues from the taxes and fees paid by highway users to be held in one place until distributed to the subsidiary road funds which finance different levels of the highway system throughout the state. Unlike many state trust funds, the Road Use Tax Fund is a large repository (approximately $711 million in revenue for FY93), and entirely self-sustaining without any aid from the General Fund. Additionally, it serves as a revenue resource for nearly all of the activities of one of the nine legislative appropriations subcommittees and funds one of the largest departments of state government, the Iowa Department of Transportation.

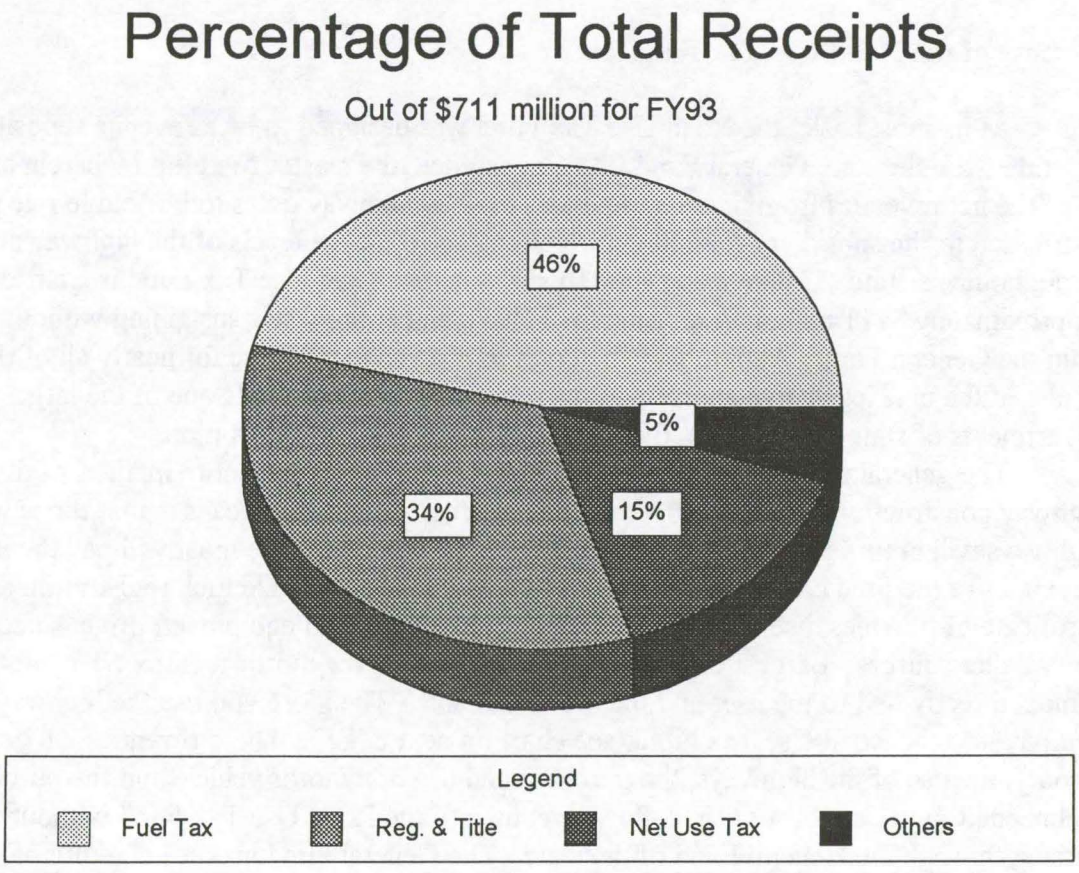
The general theory behind the Road Use Tax Fund and the entire method of funding highway construction is based on the idea of user fees. What this means is that those who use the highways will in turn pay for their upkeep, and those who use it the most will pay the most. Revenues to the fund come from excise taxes paid on motor vehicle fuel, registration and certificate of title fees, use tax payments on motor vehicles and equipment, driver's licenses and a few smaller sources. Largest of the revenue generators is the motor fuel tax. The motor fuel tax is most directly tied to the user and the most equitable. The more you use the highways, the more you pay into the Road Use Tax Fund (see chart on next page.). These revenues, all generated through the use of the highways, the purchase and use of a motor vehicle and the purchase of the fuel needed to use a motor vehicle, flow directly into the Road Use Tax Fund without ever passing through the General Fund of the state. The General Fund makes no additional subsidy to the RUTF, and all federal government money coming in from the Federal Highway Trust Fund is also entirely highway user generated (see Appendix B on the Highway Trust Fund). The theory also works on the basis that the Road Use Tax Fund is a "trust fund", that is to say that the

revenues which Iowans pay into it through their use of motor vehicles and state highways will be used for construction and maintenance of the highways and the overall improvement of Iowa's horizontal infrastructure.

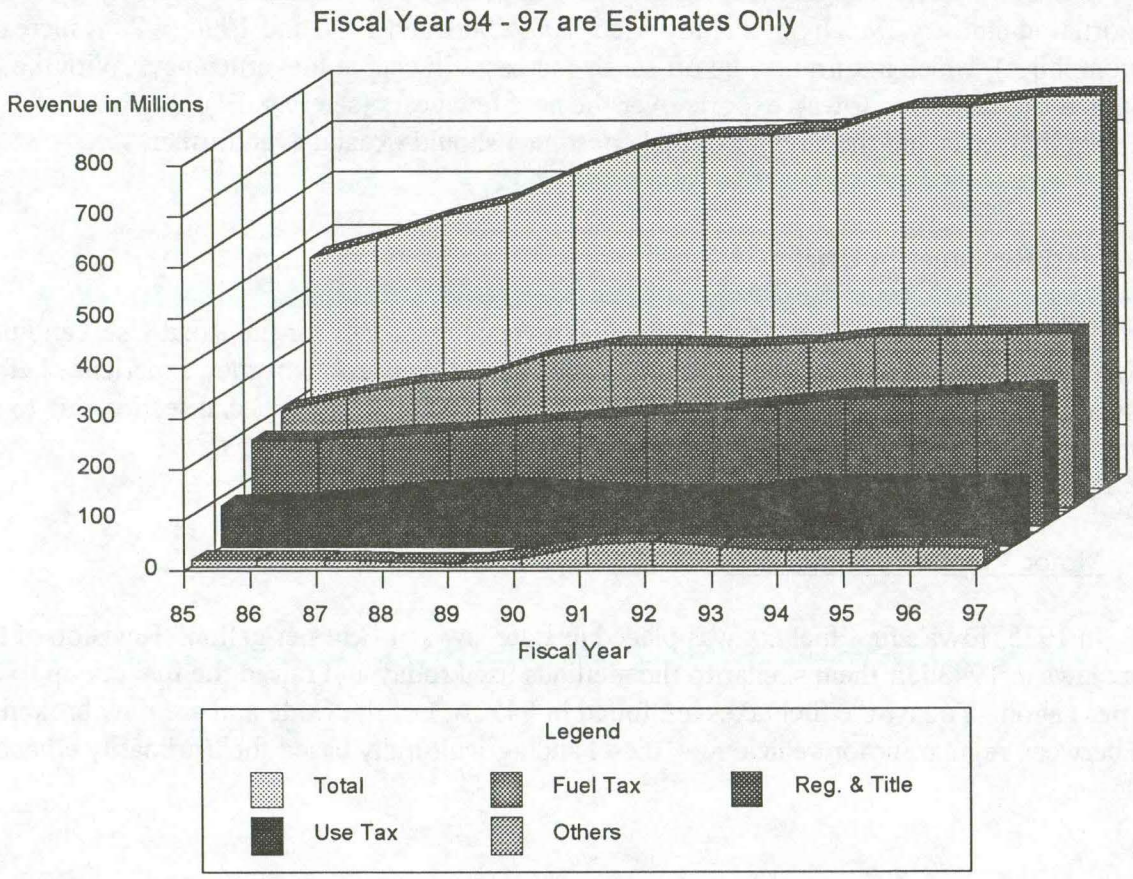
(Information courtesy of the Legislative Fiscal Bureau, *Code of Iowa, 1993 Edition*, Iowa Department of Transportation and the Federal Highway Administration)

Receipts and Revenues to the Road Use Tax Fund

The chart below shows each of the major contributors against each other so we might see the portion of the total each contributes. The chart on the next page shows the revenue histories of the major contributors to the Road Use Tax Fund set against the total net receipts of the fund.



Receipts to the Road Use Tax Fund



NOTE: The revenues shown above are all net revenues after certain deductions have been made. These diversions will be discussed on the following pages. The term "others" is made up of driver's license fees, fees from the Underground Storage Tank Diminution Charge, repayments which used to come in from the Iowa Railway Finance Authority for a loan made years ago, weight fines and interest on the RUTF.

What we learn from these charts is that the highest revenue contributor has been the motor vehicle fuel excise tax. In FY85, 42% of the total revenue to the RUTF was motor fuel, but in FY93 it had grown to 46% and is still rising, although projections place the future rise of registration fees through FY97 on an equal level. It is highly possible that fuel tax revenues will rise more than projected due to expected increases in usage by the expanding highway transportation industry, which has already risen 100% between 1970 and 1990 (a 70% increase by automobiles), which in turn may be off set by increases in engine fuel efficiency. With the anticipated expansions in Iowa's exports over the next few years (see Part III), the freight movement by trucks and the amount of fuel consumed should expand even further.

Road Fund Revenues in Brief

This part will take a look at the individual revenue resources for the Road Use Tax Fund and some of their fiscal history, the special diversions and other problems they experience before their final deposit into the RUTF. Use Tax will be discussed in its own special section due to its unique problems and the central role it plays in the overall public policy debate.

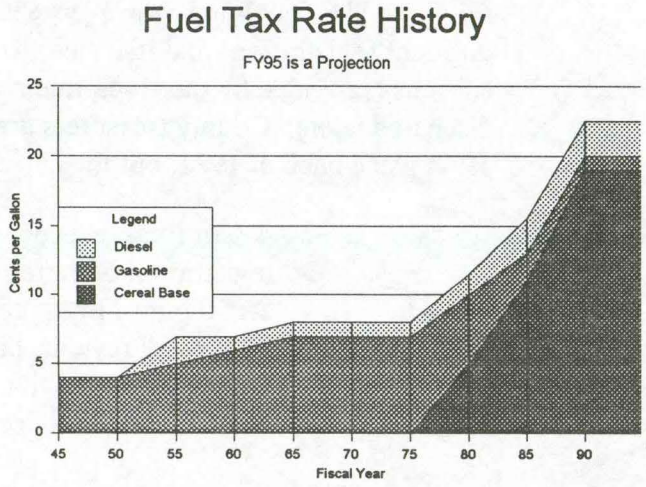
Motor Vehicle Fuel Excise Tax

In 1925, Iowa's first fuel tax was placed in state law at 1 cent per gallon. Revision of the fuel tax laws in 1943 left them similar to the methods used today and raised the fuel tax up to 3 cents per gallon. Today, the fuel taxes are found in §452A.3 of the Code and are now broken down between regular motor vehicle fuel, diesel and agriculturally based fuel (primarily ethanol) as follows:

Standard Motor Vehicle Fuel Tax Rate	-	20 cents per gallon
Diesel Fuel Tax Rate	-	22.5 cents per gallon
10% Cereal Grain Based Fuel	-	19 cents per gallon

NOTE: Through much of the legislative history of the special fuel tax rate on agriculturally based fuels, the Code refers to it as gasohol, the blended form of renewable oxygenates and motor fuel. With more of a variety of renewable fuels now in existence, the Code simply refers to it as fuel with a 10% cereal grain base and which primarily includes ethanol.

Fuel taxes have remained somewhat constant through the earlier parts of this century, the major rises coming in the mid 70s, oddly enough about the same time the fuel crisis hit the United States. Consider the chart below:



Fuel sold to urban transit systems are exempt from these taxes. Aviation and motor boat fuel flow into different trust funds for special uses. The exemption for mass transit has angered many because municipal transit systems receive money from the Road Use Tax Fund and continue to operate at a deficit which they have been unable to make up through ridership.

With the abolition of the compensation tax placed on trucks, it was decided that a higher fuel rate should be placed on truck fuel to make up for the extra wear they cause on the highway, especially from the heavy trucks which consume a higher rate of diesel fuel. This resulted in the higher rate on diesel fuel.

A special concern has also been on the extra cent which cereal grain based fuels are allowed, and which is widely considered to be a special tax exemption for Iowa's agricultural industry. The Highway Users Federation estimated that in 1991 about 462 million gallons of this type of fuel was consumed (about 26.8% of total fuel consumed in the state that year) and the one cent difference from motor fuel cost the state approximately $4.62 million in revenue to the Road Use Tax Fund. Other concerns related to loss of fuel revenue due to a decrease in fuel usage resulting from increased fuel efficiency will be discussed in Part Three.

Before deposit into the RUTF, the first of the many road fund diversions takes place. This is a reduction from the total revenue collected from the excise tax of the amount "necessary" to the Iowa Department of Revenue and Finance for its work in collecting the money.

In FY85, after deductions by the Department of Revenue and Finance, approximately $194 million was generated to the RUTF. By FY93, this had increased to $327.23 million, representing an increase of about 67%.

Registration and Certificate of Title Fees

For the ownership and operation of various kinds of motor vehicles on the highways, Chapter 321 of the Code requires a number of permits, registrations and certificates of title, the various schedules for which can be found throughout the chapter. Over the years, a large variety of different registration schedules have been developed for different varieties of vehicles and

which assess fees in different fashions. For example, there are considerable differences between the way automobiles are registered from the way in which heavy truck-tractor combinations are registered. However, it is the disposition of the fees generated here which become our concern. While payments of these various fees are directed by the state, actual purchase takes place in the offices of the county treasurers for the particular county the owner-operator lives or works in. §321.145 of the Code directs that all revenues taken in by the county treasurers be deposited into the Road Use Tax Fund, however, §321.152 allows the treasurers to deduct certain portions of different registrations and issuances to cover their own costs (which are in addition to other subsidies provided by the Department of Transportation in forms and equipment which will be discussed later). County treasurers are allowed to keep the following (the original state law was set in place back in 1921, but the current version here was developed in 1992):

- 4% of total revenue collected by that county on registration and duplicate registration of motor vehicles;
- $2.50 out of every certificate of title issued;
- 40% of all revenue collected by the county on the issuance of certified copies of a certificate of title;
- 60% of all fees collected from notations of securities.

In FY85, these various fees generated about $173.8 million to the RUTF. By FY93, this had increased to about $242.01 million, an increase of approximately 39%.

NOTE: On both motor fuel excise taxes and registration and title fees, since deduction have been made from each prior to their deposit in the Road Use Tax Fund, we shall refer to them from this point forward as net revenues.

Underground Storage Tank Fees

This is the dimminution fee assessed on the petroleum marketers and users who deposit fuel into the underground petroleum holding tanks. The fee was assessed for a double purpose. One was to off set the diversion from the use tax of $15.3 million annually, the other was to penalize the marketers and users of the fuel and holding tanks. The dimminution fee and the use tax diversion are not connected in law, and one could be altered without the other and disrupt the equity balance. This generates approximately $15.3 million annually to the RUTF. The fee is found and assessed in §424.3 and deposited in the road fund in §424.7. More on this will be discussed in Appendix A.

Drivers License Fees

All operators of motor vehicles, unless specifically exempted by law, are required to qualify for and possess operating licenses for the particular kind of motor vehicle they are using. Qualifications are met when individuals are tested on their knowledge on the state laws of the road found in Chapter 321 of the Code by the Iowa Department of Transportation. Special

licenses exist for chauffeurs, truckers and other professional drivers. These revenues amounted to approximately $11.04 million in FY93.

Iowa Railway Finance Authority (IRFA) Loan Repayment

In the early 1980s, a special loan of $15,000,000 was made from the Road Use Tax Fund to the special railroad fund, administered by the new Iowa Railway Finance Authority (IRFA), for the purchase of right-of-way on a line of track with matching funds put up by the Heartland Corporation, who eventually would buy out the state's share. Since the diversion of this money was in violation of the 18th Amendment, it was structured as a loan to be repaid over a span of several years dictated by the Code. Heartland quickly paid its share of the costs allowing IRFA to be able to repay the loan, which began as planned.

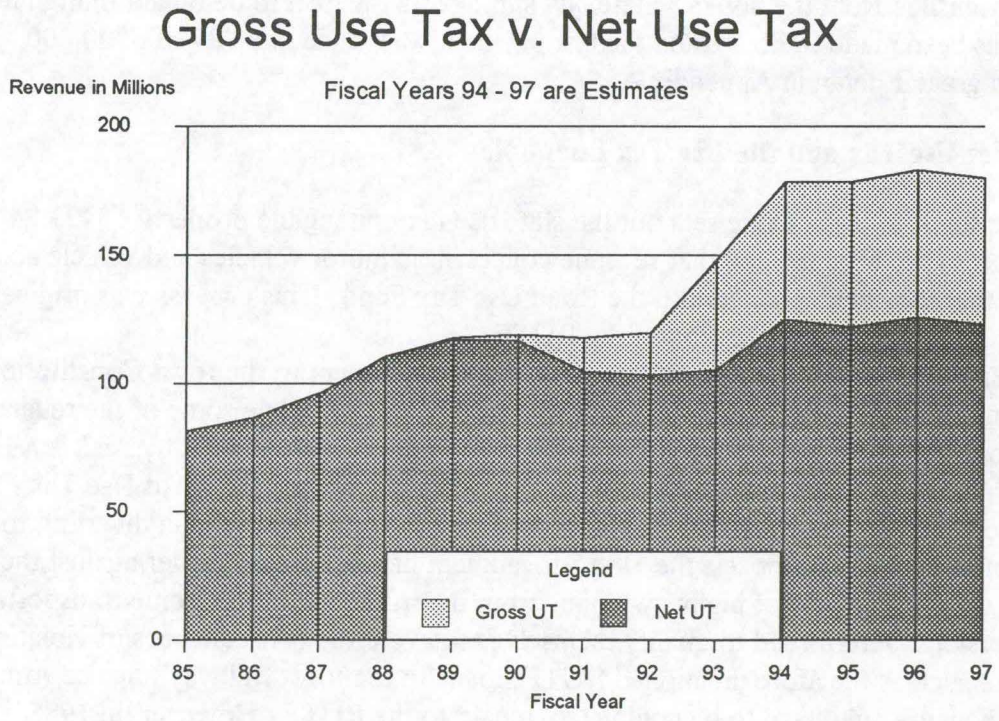
Legislators then amended the Code a number of times to put off the repayment due date of the loan and used the funds through IRFA for other projects, assuming that revenue generated through these investments and projects would be adequate to repay the loan. When the legislature scooped up a number of trust funds, including this special railroad fund, and placed them inside of the General Fund to be re-appropriated back out, the funds set aside for the loan repayment vanished from the books. State law still directs the loan to be repaid though no provision has been made to do so, and the last payment was made in FY87 of $700,000. This is discussed in greater detail in Appendix A.

Use Tax, Net Use Tax and the Use Tax Loophole

Chapter 423 of the Code sets out the state use tax on tangible property. §423.24 separates out of the total use tax that revenue collected on motor vehicles and vehicle accessories and directs that they be deposited into the Road Use Tax Fund. This process was originally begun back in 1949 with the creation of the RUTF.

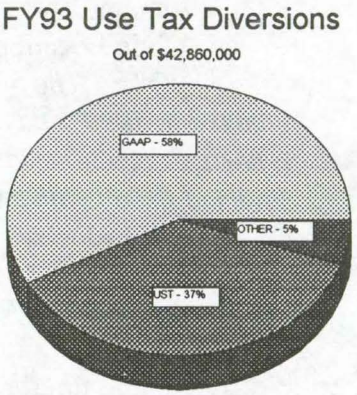
In Part One, under the discussion of the 18th Amendment to the Iowa Constitution, the idea of "mingled" funds was brought up referring to the fact that while some of the revenues coming into the road fund, including this use tax, were not directly covered by Article VII, §8 special prohibitions on non-highway use, once they were placed into the Road Use Tax Fund they received the benefit of the constitutional protection. With the recent trend in diverting road money for non-highway purposes, the 18th Amendment has stood as a barrier against the completely unrestricted use of highway money from the trust fund. Even some transportation related diversions were forced to qualify themselves to avoid the consequences of violating the constitution, such as the afore mentioned RUTF "loan" to the Iowa Railway Finance Authority where the money would have to be completely repaid to the RUTF. However, in 1988, lawmakers found that it was possible to hit some of the road fund revenues, the ones without constitutional protection, before they were deposited into the RUTF and "mingled" with protected funds. The one open for the easiest attack was the use tax. Lawmakers found that they could place language into §423.24 of the Code after the sorting out of the vehicle use tax from the rest of the use tax, but prior to its deposit in the Road Use Tax Fund, which would then be able to siphon off money for non-highway related projects. The first hit came in 1989 with a diversion of

$450,000 for the aviation program, but much larger and more permanent diversions soon followed and are itemized beginning on the next page. Also, a number of one-time diversions have also been made which are written into the budget bills put out annually by the Transportation and Safety Appropriations Subcommittee of the Iowa Legislature such as the one-time diversion for armorey constructions. But since they occur only once, they are not ever codified. Overall, however, the number of diversions of road money through this loophole have been steadily growing over the years. Consider the chart below which shows diversions of use tax money, the difference between gross and net use tax, against the total amount of §423.24 gross use tax. The difference between the gross use tax and the net use tax is obviously growing at a substantial rate. In FY93, the approximate 29% of the total use tax lost through diversions was $42.86 million. Diversions from the use tax began in 1989 and by 1993 had grown to $76 million annually. That is $76 million which might have been put into highway and street construction over a five year period, or $76 million which would have been invested back into the state not just once but multiple times.



Of all of the diversions from the use tax, GAAP takes up the largest amount, followed closely by the underground storage tank diversions. The pie chart below gives a better look.

The category of "other" includes, for FY93, a diversion for the Department of Inspections and Appeals, money for the Automated Fingerprint Information System (both local terminals and the mainframe) and for five pari-mutual officers (which have been returned to the general fund for FY95). All of these as well as GAAP and UST will be discussed at this point (underground storage tanks, GAAP, and rural revitalization will also be discussed more in depth in Appendix A).



The GAAP Account

In 1992, the 74th General Assembly attempted to deal with the mounting problem of the state debt. The decision was to create a special fund for the sole purpose of paying off the debt and establishing a cash reserve fund, called the GAAP Account. GAAP stands for Generally Accepted Accounting Principles and is the standard accounting system used and recommended nationally. To help pay for this new account, the state chose to raise the sales tax and the use tax from 4% to 5%, including the motor fuel tax which translates into approximately a 1 cent increase. Now that one more cent worth of revenue was flowing into the Road Use Tax Fund through this higher fuel fee, lawmakers diverted approximately the same amount of money out of the use tax and placed it into the GAAP Account. The amount came to about 20% of the total gross use tax. With the debt to be paid off in FY95 it is not clear what the fate of the money going into the GAAP Account will be.

Construction Purpose: No

Amount Diverted in FY93: $24.78 million

Code Location: Initial Diversion made in 1992 but not codified until the Acts of the 75th General Assembly, 1993, Ch. 180, §7. Now currently found in the Code at §423.24, §§2.

Comprehensive Underground Storage Tank Fund

With the alleged environmental crisis due to leaking underground petroleum holding tanks, the legislature decided that the cost for clean-up should be placed on the back of the road fund, since its revenue providers use the petroleum which leaked out of the tanks. This lifted 25% out of the use tax after the diversion for GAAP had already been made (that is 25% out of the remaining 80%). Currently this fund has not been found adequate to meet the clean-up cost projections.

Construction Purpose: No

Set in Place: 90 Acts

FY90 Diverted Amount: $2.4 million
FY93 Diverted Amount: $16.13 million
Percentage of Increase Over Period: 572%
Amount Lost over Period: $45.91 million
Code Location: §423.24, §§1 for Diversion, §455G.3 for clean-up uses

NOTE: The 572% increase listed above is extremely misleading. The legislation was enacted in 1990, and due to the fact that lawmakers wanted to start clean-up as soon as possible, a partial diversion was made for that same year, but does not reflect the amount to be normally diverted for an entire year. Perhaps a more accurate increase representation would be between FY91 and FY93 which is about 25%.

Local AFIS (Automated Fingerprint Information System)

A "one-time" diversion which has been made several times to help develop local terminals for the state AFIS system.

Construction Purpose: No
First Placed in Language: In 1990 Appropriations Bill
FY91 Amount: $280,000
FY93 Amount: $250,000
Percentage of Increase over Time: -11%
Amount Lost over Period: $650,000
Code Location: Not Codified

AFIS Mainframe

A continuing appropriation to support the state AFIS system as a part of the trend in funding law enforcement activities out of the road fund.

Construction Purpose: No
First Placed in Language: In 1992 Appropriations Bill
FY93 Amount: $510,000
Code Location: Not Codified

Pari-Mutuel Law Enforcement Officers

These are the five Department of Criminal Investigation Officers placed on riverboats. These, however, have been transfered to the General Fund for FY95.

Construction Purpose: No
First Placed in Language: In 1992 Appropriations Bill
FY93 Amount: $290,000
Code Location: Not Codified

Rural Revitalization and Value Added Product Accounts (Ethanol Incentive)

Back in 1992, the Iowa Legislature created the Ethanol Incentive Program which would divert $4 million annually from the use tax to help subsidize ethanol production facilities which met certain requirements. Reversion language was included for unused money. Since none of the current plants could meet the qualifications, all of the money was reverted back to the RUTF in the end. In 1994, the legislature scrapped the incentive account and created the broader Rural Revitalization Program which used the same amount of use tax money, minus the reversion language, but allowed the money to be used for rural economic development and for funding new methods of production and ethanol. Standards were set low and all of the money is expected to be used. This will not hit the use tax and the RUTF until FY95.

Construction Purpose: No

First Placed in Language: 92 Acts as Ethanol Incentive Program, 94 Acts as Rural Revitalization Program

Expected loss for FY94: $4,00,000

Location in the Code: Chapter 159A

Iowa Railway Finance Authority

Use Tax support for the Iowa Railway Finance Authority not to exceed $2 million annually. This is only to be used to pay the principle and interest on obligations and lease payment guaranteed by the authority

Construction Purpose: No

Code Location: §327I.26

Amount Diverted Annually: $2 million

Placed in the Code: 88 Acts, Ch. 1211, §3

Department of Inspections and Appeals

See the section on diversions from the Road Use Tax Fund. Up until 1993, this was an RUTF diversion.

The use tax loophole problem is a growing concern in the public policy debate centering around the use of road money. While the projections used in the chart showing the growth difference between gross and net use tax does not show additional diversions between FY94 and FY97, this is based entirely on the assumption that no more diversions will be added. However, to this date, at least one new additional diversion has been made every year since 1989. Should this trend continue, the loss to the Road Use Tax Fund will grow far beyond $42.86 million in losses annually. With the growing infrastructure crisis which will be discussed in Part Three, and not a single use tax diversion going to highway construction or maintenance, is this a public policy trend which can be supported?

SECTION TWO: OFF-THE-TOP DIVERSIONS FROM THE ROAD USE TAX FUND

This is essentially step two of the process that the road funds go through in the complete process which makes up the operation of the Road Use Tax Fund. And it is this part which lies at the center of the policy debate over the road fund. This section will deal with the off-the-top diversions from the road fund which occur between the time that net revenues arrive in the road fund (although after certain diversions are made from these revenues prior to their deposit in the road fund such as was discussed on the use tax) and before the distribution formula takes effect. A few of these "diversions" actually do end up in road construction because they are diverted from the RUTF straight into one of the subsidiary road funds. This will be discussed in greater detail below.

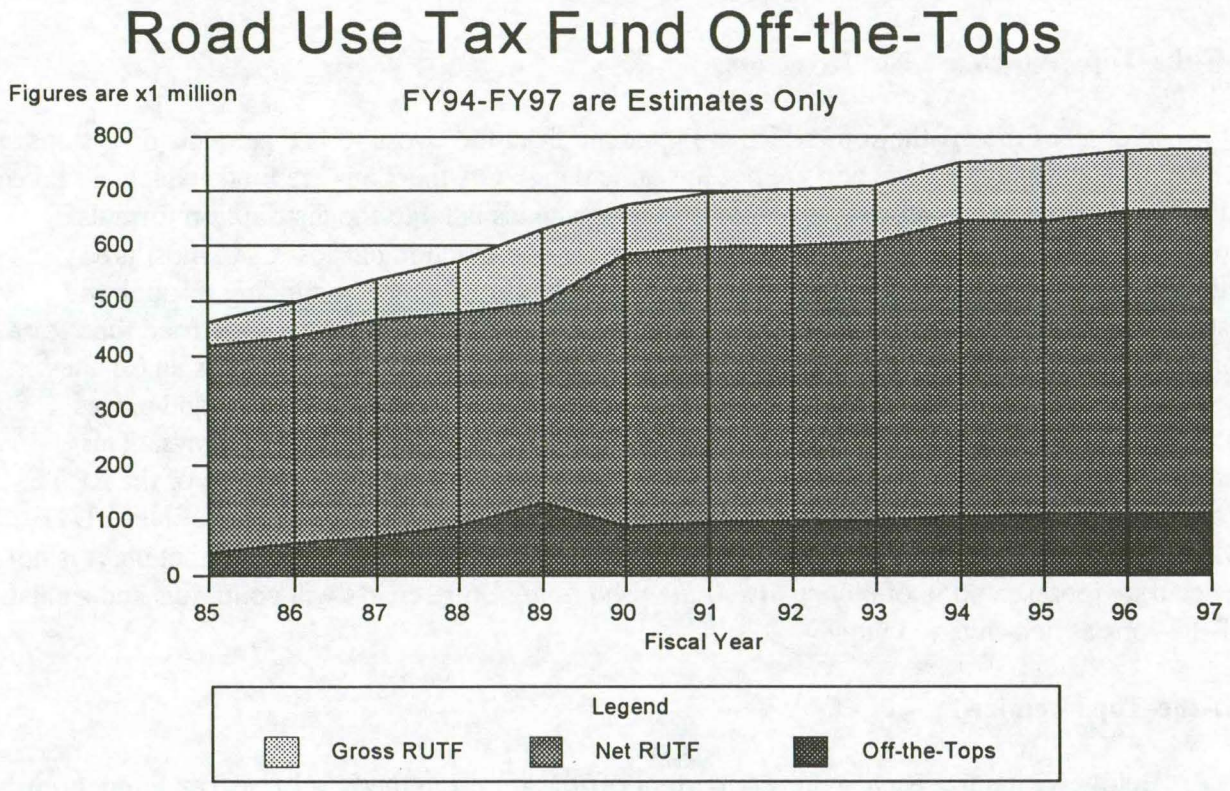
All figures used in this section courtesy of the Iowa Legislative Fiscal Bureau.

What is an Off-the-Top?

Once the revenues have been deposited into the Road Use Tax Fund (which we will call Gross RUTF here), they are, theoretically, to be then divided up through the distribution formula between the four subsidiary road funds. However, *before* the money is divided between these funds, certain amounts are taken out of the Gross RUTF, or taken "off-the-top" as this procedure is commonly called, for specific purposes set either by statute or legislative policy. Most of these off-the-top diversions are found in §312.2 of the Code, although a few others are scattered around in other locations through Title VIII. Most of the diversions are listed in §312.2 after §312.2, §§1-§§4, which is the distribution formula. However, the text of the diversions contains language which in the legal process sets the particular off-the-top a step ahead of the distribution formula. The reason that a public policy debate has grown up around these diversions is that the money in the Road Use Tax Fund, as has been discussed extensively above, is intended for highway and bridge construction and maintenance purposes set out in the Anti-Diversion Amendment. Most of the off-the-top diversions are for a variety of uses, a few of which are clearly construction oriented, the rest being questionable at best and whose legal standing under the 18th Amendment is also debatable.

The real problem them is that more and more of these off-the-tops are diverting money for non-construction purposes, taking away more of the money which would otherwise be available to be placed in the distribution formula and which in turn reduces the amount of funding each of the subsidiary road funds receive. The bottom line then is that the more non-construction oriented off-the-top diversions that are made, the less money that is available for highway construction and maintenance. Why this reduction in funds available for construction is a grave potential problem for Iowa is the subject matter of Part Three of this report. What concerns us in this part are the off-the-tops themselves as we examine the full procedure of the road fund revenues. To get a good perspective on the threat of diversions to the road fund, examine the chart on the next page. It charts the Gross RUTF revenue before any of the off-the-tops are diverted against the Net RUTF after they are made, and which would be the money to be placed in the distribution formula. Also charted is the amount of money diverted annually by the off-the-tops.

NOTE: This chart does not deal with the appropriation made to the Iowa Department of Transportation out of the Road Use Tax Fund as it is not normally considered a diversion. However, a certain amount is taken out for the IDOT before the remaining revenues are placed in the distribution formula. The Net RUTF line below is remaining revenue after the off-the-tops are made but before the deduction for IDOT funding. IDOT also receives more road money from the Primary Road Fund discussed later on. RUTF funds for IDOT will also be discussed below. Also, certain off-the-top diversions return to various subsidiary funds at a later point and are not really diversions at all. This occurs after the distribution formula and their return is not a part of this chart. Use Tax diversions are also not figured into the "off-the-tops" category, but are pre-figured into the Gross RUTF as already having happened since these diversions are made before use tax deposit into the Road Use Tax Fund. Revenue figures for this chart may be

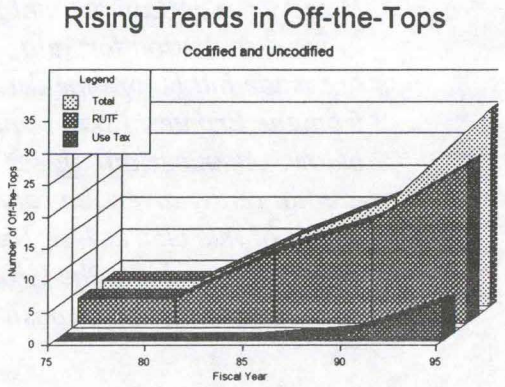


found on page 103 of this report.

Gross RUTF Growth: 68%	Average Growth Amount: $26,258,330	Average % Growth Rate: 4.375%
Net RUTF Growth: 59%	Average Growth Amount: $20,489,170	Average % Growth Rate: 3.92%
Off-the-Top Growth: 164%	Average Growth Amount: $5,769,170	Average % Growth Rate: 10.5%

On average, off-the-tops are growing more than twice as fast as the Gross RUTF, and this does not even take into account diversions from the use tax and the Primary Road Fund nor does it include spending on the Iowa Department of Transportation.

What is also important to remember about the chart is that the growth in off-the-tops is not at a constant rate as the legislature has added new ones over the same time period. This in turn prevents Net RUTF from rising at a constant rate which in turn effects the other two categories. The chart to the right shows the rise in off-the-tops since Fiscal Year 1975 through FY95. In FY95 there are 31 off-the-tops, six of which are from the use tax, the remainder of which are from the Road Use Tax Fund. Most are codified, that is they are provided for in statute, while a few are uncodified and simply written into the budget appropriations bill of the Transportation and Safety Appropriations Subcommittee each year (such as the Highway Patrol).



Off-the-Tops Which are Not Diversions

Not all of the off-the-tops which are removed from the Gross RUTF are truly diversions at all. An off-the-top and a diversion are not the same thing. Off-the-Tops are funds which are taken out of the Gross RUTF before these highway user revenues fall into the distribution formula. However, some of these off-the-tops are taken out for construction purposes and most are returned to one of the four subsidiary road funds which normally receive funding through the distribution formula. Diversions refer to off-the-tops which pull money out of the road fund for a non-construction purpose. For example: §312.2, §§7 of the 1993 Code of Iowa is an off-the-top for $7.1 million out of the Road Use Tax Fund. However, the money is removed and placed straight into the Primary Road Fund, the fund used for construction of state highways. This hardly would then count as a diversion of highway revenue from the basic purpose of the RUTF. While the chart on page 18 does not list this and other similar off-the-tops as part of Net RUTF (which it is not since it moves straight into the Primary Road Fund) and therefore that chart is not an accurate representation of *money lost to the road fund*, future charts will count this and similar off-the-tops as non-diverted money.

Off-the-Tops Itemized

Below we itemize each and every current off-the-top from the Road Use Tax Fund, both those found in §312.2 of the Code and those found in other locations. A few are also "non-codified", meaning that they never appear in the Code even though they are an annual diversion and not merely a one time event. The diversion to the Department of Management is such a one.

These uncodified diversions are made each year by the legislature in the appropriations bill passed by lawmakers, but are not permanent in the sense that the legislature must write it into the bill each year or the diversion will not occur. Also, an arbitrary breakdown has been made between off-the-tops for "construction" and "non-construction" purposes as explained on the previous page. A "construction" purpose means that the money diverted will be used for a specific building or repair purpose on the right-of-way of a highway like normal construction projects would be. These are funds which have simply been "earmarked" by the legislature for a specific construction purpose or placed directly into a specific fund for use. Other information will include a very brief summary of what the off-the-top is for, how much it has grown over time, the total amount removed from the road fund for that diversion, and where it is located in the Code.

NOTE: These do not appear here in the order that they are listed in the Code. These are also only the off-the-tops from the Road Use Tax Fund. Diversions from revenue sources, such as the use tax have been discussed above and diversions from the Primary Road Fund will be looked at in a later part.

Primary Road Fund There is no purpose stated in the Code for this off-the-top, likely it was the work of certain lawmakers who wanted to increase revenues to the PRF. It ends up merely supplementing the regular amount the PRF receives through the distribution formula. It is listed twice in §312.2, the first time for $7.1 million and the second time for $4.4 million for a total of $11.5 million. The second diversion is what once had been the compensation tax placed on heavy trucks, which was likely simply changed in the Code by lawmakers instead of trying to abolish the off-the-top.

Construction Purpose: Yes
FY85 Amount: $11.5 million
FY93 Amount: $11.5 million
Total Amount Moved between FY85 and FY93: $130.9 million
Code Location: §312.2, §§7 and §312.2, §§11
Placed in the Code: §312.2, §§7 in 78 Acts, Ch. 1108
§312.2, §§11 in 80 Acts, Ch. 1100

Farm-to-Market Road Fund This diverts $1.5 million annually to the Farm-to-Market Road Fund, the state fund for designated county roads which is then divided up amongst the counties, and was originally part of the compensation tax on heavy trucks.

Construction Purpose: Yes
FY85 Amount: $1.5 million
FY93 Amount: $1.5 million
Amount of Increase: 0%
Total Amount Moved between FY85 and FY93: $17 million
Code Location: §312.2, §§11
Placed in the Code: 80 Acts, Ch. 1100

Secondary Road Funds Instead of a specific amount lifted here, this takes out an amount equal to 9/20ths of one cent on the motor fuel excise tax from the RUTF and disperses it amongst the various county secondary road funds.

Construction Purpose: Yes
FY88 Amount: $900,000
FY93 Amount: $7.6 million
Amount of Increase: 744%*
Total Amount Moved between FY88 and FY93: $42.1 million

Code Location: §312.2, §14A
Placed in the Code: 89 Acts, Ch. 293

* A strange off-the-top. Actual diversion of funds preceded the codification of the off-the-top. There was also an enormous jump from FY88 to FY89 in the amount used (FY89 was $10.7 million). This jump was to make up for a shortfall in federal funding that year. Ever since then, this amount of 9/20ths of a cent has been around $7.6 million.

RISE (Revitalize Iowa's Sound Economy) Fund An off-the-top of an amount equal to 1.55 cents per gallon of the revenue from the motor fuel excise tax (which actually is down from the original amount of 2 cents per gallon), to this special fund designed for use by various levels of government, economic developers and the private sector for building horizontal infrastructure for the benefit of economic development. Projects are required to meet certain criteria showing their enhancement of the economic viability of a particular region. The more technical aspects of RISE, including the three categories of funding available can be found in the IDOT's Iowa Transportation Improvement Program 1994-1988 publication. Of the funding available, 32.3 % is required to be used on municipal roads, 3.2% on the secondary roads and the remainder on primaries. Of the primary system, all money must be spend on primary roads which have been designated a part of the Commercial and Industrial Network.

Construction Purpose: Yes
FY86 Amount: $19.5 million
FY93 Amount: $26.3 million
Amount of Increase: 35%
Total Amount Moved between FY86 and FY93: $222.56 million
Code Location (of the diversion): §312.2, §§14
Placed in the Code: 85 Acts

State Functional Classification Review Board Expenses Made up of a state senator, state representative, IDOT staff and members of private associations representing engineers, this board reviews the designation of the state road systems. The expenses of the non-state payroll members are paid out of this off-the-top. The diverted amount is $500,000, however, reversion language exists for unused portions and records show that only about $10,000 has been actually used each year.

Construction Purpose: No
FY91 Amount: $10,000
FY93 Amount: $10,000
Amount of Increase: 0%
Total Amount Moved Between FY91 and FY93: $30,000
Code Location (of the diversion): §312.2, §10
Placed in the Code: 80 Acts, Ch. 1093, §2

State Park and Institutional Roads These are the roads and bridges which exist on state owned property, including state fair grounds and community colleges. Actual designations for these funds are found in §313.4, §§2, §307.45 and §307A.2, §§11. The Primary Road Fund has 65/100ths of 1% of the total amount of money earmarked for this special use.

Construction Purpose: Yes
FY85 Amount: $3 million
FY93 Amount: $4.62 million
Amount of Increase: 54%
Total Amount Moved between FY85 and FY93: $35.56 million
Code Location: §312.2, §§5
Placed in the Code: 78 Acts, Chapter 1108

IDOT Expenses on Secondary and Urban Activities Off-the-top from the RUTF to the PRF, earmakred for the IDOT to use for expenses assessed against the IDOT.

Construction Purpose: No

FY85 Amount: $500,000
FY93 Amount: $500,000
Amount of Increase: 0%
Total Amount Moved between FY85 and FY93: $4.5 million
Code Location: §312.2, §§5
Placed in the Code: 78 Acts, Chapter 1108

Living Road Trust Fund This fund supports the Integrated Roadside Vegetation Management programs which plant vegetables along the right-of-ways of state, county and municipal highways. Part of the justification for the use is the need for wind erosion control barriers.

Construction Purpose: No
FY85 Amount: $250,000
FY93 Amount: $250,000
Amount of Increase: 0%
Total Amount Moved between FY85 and FY93: $2.7 million
Code Location: §312.2, §§9 and §§12
Placed in the Code: 89 Acts, Ch. 246

Highway Railroad Grade Crossing Safety Fund One of the earliest off-the-tops. Diverts money over to the IDOT to help pay the cost of installing flashing crossing guards at railroad crossings. Diversion of $700,000 annually.

Construction Purpose: No
FY85 Amount: $700,000
FY93 Amount: $700,000
Amount of Increase: 0%
Total Amount Moved between FY85 and FY93: $6.3 million
Code Location: §312.2, §§5
Placed in the Code: 61 Acts, Ch. 168

Highway Railroad Surface Repair This is $900,000 annually for repair work on the surface area crossing between a highway and railroad. This fund will pick up 60% of the overall cost, the remaining cost is split between the railroad company owning the right-of-way and the jurisdictional government.

Construction Purpose: No
FY85 Amount: $900,000
FY93 Amount: $900,000
Amount of Increase: 0%
Total Amount Moved between FY85 and FY93: $8.1 million
Code Location: §312.2, §§5
Placed in the Code: 78 Acts, Ch. 1108

County Bridge Construction Fund Off-the-top of $2 million annually to this fund to be distributed amongst the counties for bridge repair.

Construction Purpose: Yes
FY90 Amount: $2 million
FY93 Amount: $2 million
Amount of Increase: 0%
Total Amount Moved between FY90 and FY93: $8 million
Code Location: §312.2, §§19
Placed in the Code: 89 Acts, Ch. 293

City Bridge Construction Fund Off-the-top of $500,000 annually to this fund which is then apportioned to the cities for bridge repair on a needs basis.

Construction Purpose: Yes

FY90 Amount: $500,000
FY93 Amount: $500,000
Amount of Increase: 0%
Total Amount Moved between FY90 and FY93: $2 million
Code Location: §312.2, §§19
Placed in the Code: 89 Acts, Ch. 293

License Plate Production and Supplies Fund An off-the-top of "sufficient amount" to the IDOT for the purchase of all of the supplies and materials necessary for the county treasurers to issue registration and certificates of title. Also funds the material needed for prison industries to produce license plates.
Construction Purpose: No
FY85 Amount: $3.3 million
FY93 Amount: $1.75 million
Amount of Increase: -47%
Total Amount Moved between FY85 and FY93: $17.55 million
Code Location: §312.2, §§6
Placed in the Code: 73 Acts, Ch. 203

Traffic Safety Improvement Projects Project funds administered by IDOT for safety programs proposed by cities, counties and the state. Off-the-top amount equal to 1/2% of total RUTF funds.
Construction Purpose: No
FY88 Amount: $2.8 million
FY93 Amount: $3.55 million
Amount of Increase: 27%
Total Amount Moved between FY88 and FY93: $19.84 million
Code Location: §312.2, §§16
Placed in the Code: 87 Acts

Serving Drivers License Suspension Notices Off-the-top of "sufficient amount" to the IDOT to pay for the cost of serving these notices through postal delivery.
Construction Purpose: No
FY87 Amount: $110,000
FY93 Amount: $230,000
Amount of Increase: 109%
Total Amount moved between FY87 and FY93: $1.09 million
Code Location: §321.211
Placed in the Code: 86 Acts Ch. 1249, §29

Department of Inspections and Appeals Although this is not codified it is a continuous diversion. The amount annually appropriated by the legislature to IDIA is for its services in driver's license suspension hearings, investigation of motor vehicle franchise applications and on hearings for common carrier management. In FY93, this off-the-top was made from the Use Tax instead of the RUTF and appears to continue from the Use Tax.
Construction Purpose: No
FY87 Amount: $300,000
FY93 Amount: $898,938 (from Use Tax)
Amount of Increase: 200%
Total Amount Moved between FY87 and FY93: $3.57 million
Code Location: Off-the-top not codified. IDIA authorizations for work under §322A.7, §327C.10 and §321.211
Placed in the Code: Never. Found in Appropriations Bills

County Treasurer's Equipment Off-the-top of $650,000 annually to IDOT to purchase equipment for county treasurers so they can administer registration and issuance of title services.

Construction Purpose: No
FY92 Amount: $650,000
FY93 Amount: $650,000
Amount of Increase: 0%
Total Amount Moved between FY92 and FY93: $1.3 million
Code Location: §312.2, §§21
Placed in the Code: 91 Acts, Ch. 268

Iowa Highway State Patrol In 1984, the legislature began to fund elements of the patrol out of the RUTF. By 1991, the entire patrol was so funded by an amount set annually by the legislature. A number of one time appropriations are also made to the patrol for various projects, but are not listed as part of the numbers below. The patrol is discussed more in depth in Appendix A.

Construction Purpose: No
FY85 Amount: $16.6 million
FY93 Amount: $31.57 million
Amount of increase: 90%
Total Amount Moved between FY85 and FY93: $202.4 million
Code Location: Not Codified
Placed in the Code: Started in Appropriations Bills in 1984

Note: The remaining off-the-tops listed here, while still made from the Road Use Tax Fund, are listed in their language as taking their funding from those use tax revenues deposited into the RUTF. Theoretically this gets the diversions clear of the 18th Amendment restrictions without resorting to taking directly from the Use Tax prior to its deposit.

Department of Justice for odometer Fraud Law Enforcement Off-the-top of an amount equal to 25 cents out of each issued certificate of title. Supports DOJ in its criminal proceedings under Iowa's Odometer Fraud Law. The law went into effect in 1984, but the actual diversion only has been going on since FY91. Between 1991 and 1993, however, language was set in place which placed the DOJ funds in the General Fund for re-appropriation.

Construction Purpose: No
FY91 Amount: $250,000
FY93 Amount: $240,000
Amount of Increase: -4%
Total Amount Moved between FY91 and FY93: $670,000
Code Location: §312.2, §§13. Odometer Fraud Law under §307.37
Placed in the Code: 90 Acts

Public Transit Assistance Off-the-top to the Public Transit Assistance Fund found under §324A.6. Amount diverted is equal to 1/20th of 80% of the Use Tax deposited into the RUTF. This fund has been somewhat controversial as public transit fails to generate a profit to help sustain itself.

Construction Purpose: No
FY86 Amount: $1.7 million
FY93 Amount: $6.17 million
Amount of Increase: 263%
Total Amount Moved between FY86 and FY93: $36.7 million
Code Location: §312.2, §§15
Placed in the Code: 85 Acts

Recreational Trails Off-the-top of $1million annually to IDOT for construction of recreational trails and their maintenance.

Construction Purpose: No
FY89 Amount: $1.1 million
FY93 Amount : $1 million
Percentage of Increase: -10%
Total Amount Moved between FY89 and FY93: $5.1 million
Code Location: §312.2, §§18
Placed in the Code: 88 Acts, Ch. 1019

Diversion for the Motorcycle Education Fund Diversion of amount equal to $1 per every motorcycle registered that fiscal year into a special fund to support motorcycle educational programs.

Construction Purpose: No*
FY91 Amount Diverted: $220,000
FY93 Amount Diverted: $240,000
Percentage of Increase: 9%
Total Amount Diverted between FY91 and FY93: $740,000
Code Location: §312.2, §§17
Placed in the Code: 87 Acts, Ch. 232

* *While not a construction purpose, this off-the-top draws funding from motorcycle user fees for the purpose of motorcycle education. As no other state provision is made to the Department of Education for these safety courses, as is done for driver's education, it is not fair to consider this a "diversion" and will be removed from future charts and calculations.*

Iowa Department of Management Off-the-top of "sufficient amount" set by legislature annually for IDOM staff support to the Transportation and Safety Subcommittee. Done after the 1990 budget cuts to keep staff levels in IDOM the same.

Construction Purpose: No
FY91 Amount: $60,000
FY93 Amount: $60,000
Percentage of Increase: 0%
Total Amount Moved between FY91 and FY93: $180,000
Code Location: Not Codified, done in appropriations bills
Placed in the Code: Done in appropriations bills in 1990

Iowa Department of Personnel Done to help IDOP through budget cuts because it gives support to IDOT in administering its merit system for employees.

Construction Purpose: No
FY92 Amount: $30,000
FY93 Amount: $60,000
Percentage of Increase: 100%
Total Amount Moved between FY92 and FY93: $90,000
Code Location: Not Codified, done in appropriations bill
Placed in the Code: Done in appropriations bill since 1991

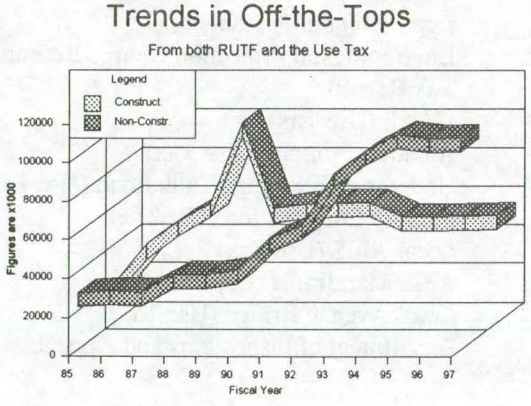
One Time Diversions from the Road Use Tax Fund These are done in the appropriations bills once only for a particular project. Occasionally, the appropriations are made for more than one year if lawmakers believe more is needed. They are listed below with the year they were enacted and the amount they used. None are codified and none are considered to be highway construction projects.

Project	Fiscal Year	Amount
Rail & Air Contingency	92	$750,000
Bridge Debt	87 & 88	$4,700,000
Brandon Scale Facility	90	$300,000
Agency Scale Facility	91	$250,000
Scale Lot Paving	91 & 92	$370,000
Aircraft Pool	88	$800,000
Airport Terminals	88	$300,000
Studies	89	$400,000
Scenic Routes	91	$500,000
Highway Patrol One Timers (total)	88 - 93	$3,540,000
Others		$1,490,000
Total		**$13,400,000**

Note: Highway Patrol One Timers are made up of various patrol post improvemnts, patrol radios, radar scanner units and the replacement of the communications tower in FY95.

Construction versus Non-Construction

As can be seen in each and every RUTF off-the-top, a distinction has been made as to whether or not it is for a construction related purpose. The importance of doing this lies in looking at the trends in off-the-tops. Many of the earlier off-the-tops were more construction oriented which made the diversions a little more palatable to those who interpret the use of the road fund narrowly. However, the last few years have seen a rise in diversions from both the RUTF and the Use Tax which are going for things which are either loosely construction oriented at best or completely unrelated. The chart below shows the rapidly rising trend in diversion off-the-tops for non-construction purposes set against the off-the-tops for construction purposes. For the purposes of this chart, only the off-the-tops we have discussed so far, from the Use Tax and the Road Use Tax Fund, are used. Other not listed diversions would be those from the Primary Road Fund which will be addressed later in this work.



The chart clearly shows that non-construction diversions are far out pacing construction off-the-tops, meaning that more and more road money is being diverted for non-construction purposes. In FY93, approximately $85.92 million was diverted for non-construction purposes versus only $59.67 million for construction purposes. FY94 - FY97 are estimates, but estimates based on current language set in place by the legislature consider future

diversions which have not taken place yet (like the rural-revitalization diversions). By FY97, while construction off-the-tops are expected to be at about $53.14 million the non-construction diversions will be at $104.83 million, the gap between the two having grown by about 97%.

Below are listed all of the Road Use Tax Fund off-the-tops and one-timers by construction or non-construction:

CONSTRUCTION

To the Primary Road Fund
To the Farm-to-Market Road Fund
To the county secondary road funds
To the city street funds
Park & Institutional Roads
RISE Fund
IDOT Assessed Expenses for Secondary and Urban Projects
Secondary Road Bridge Fund
City Bridge Fund
Highway Safety Projects

NON-CONSTRUCTION

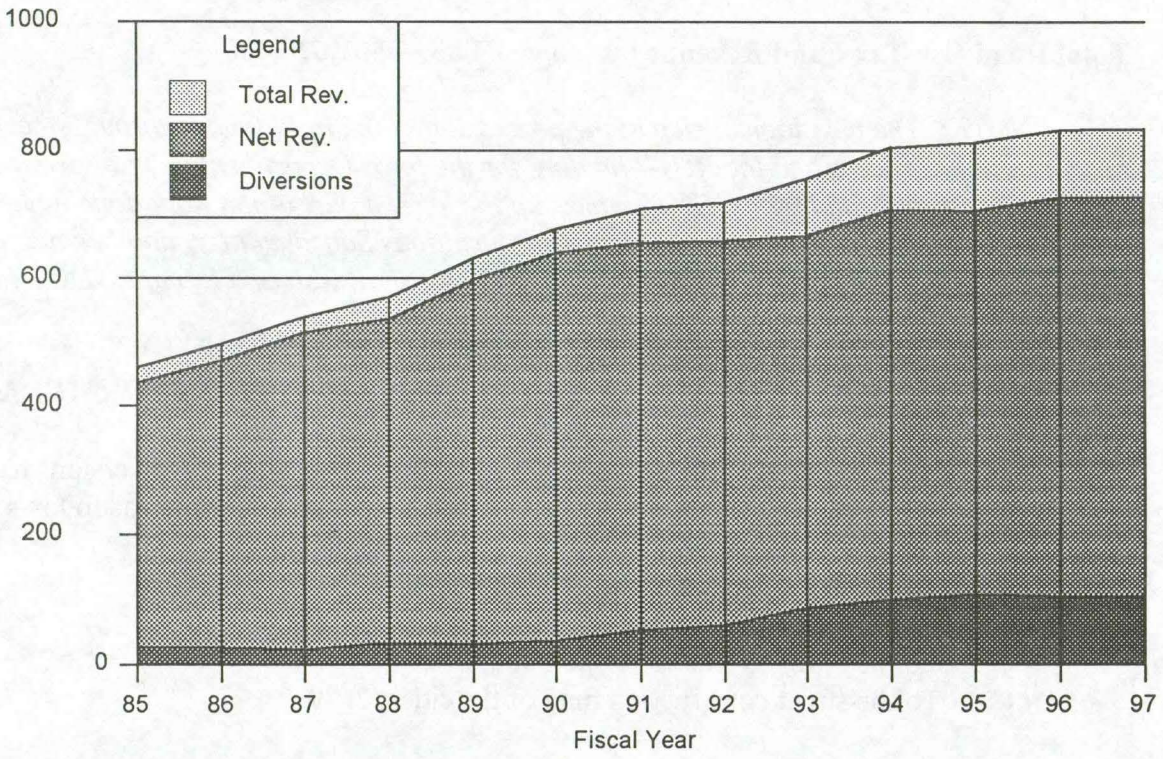
State Functional Classification Review Board
Living Roadway Trust Fund
License Plate and Registration Supplies
License Suspension Notices
Department of Inspections and Appeals
Department of Justice (Odometer Fraud Law)
County Treasurer's Equipment
Highway Railroad Grade Surface Crossing Fund
Highway Railroad Surface Repair Fund
Public Transit Assistance
Recreational Trails
Rail & Air Contingency Fund
Bridge Debt
Brandon Scale Facility
Agency Scale Facility
Scale Lot Paving
Missouri Valley Scale Lot
Aircraft Pool
Airport Terminals
Various Studies
Scenic Routes
Highway State Patrol (Total)
Patrol Post Improvements
Communications Tower
Patrol Radios
Patrol Post Loan
Radar Scanner Units
Department of Management
Department of Personnel
Environmental Protection Charge Refund
Tax Refunds
GAAP (Use Tax)
Aviation Program (Use Tax)
Underground Storage Tank Loan (Use Tax)
Armory Construction (Use Tax)
Local AFIS (Use Tax)
AFIS Mainframe (Use Tax)
Court Avenue Bridge (Use Tax)
Department of Inspections and Appeals (Use Tax)

At this point, having taken into consideration which off-the-tops are legitimate uses of highway user revenues for construction purposes and which ones are direct diversions away from highway purposes, we can more accurately chart totals against diversions. In the chart below, the "Total Revenue" refers to all of the revenue coming into the Road Use Tax Fund with all of the use tax diversions added back in. This allows us to see what the RUTF would be like if the use tax diversions did not exist. "Net Revenue" is the amount of funding left over after all of the non-construction diversions are made from both the RUTF and the use tax. The "Diversions" amount then represents the amount of non-construction funding taken out.

Revenues v. Diversions

Figures are x 1 million

Fiscal Years FY94 - FY97 are Estimates



Gross Revenue Increase: 81%	Average Amount of Growth: $30,985,830	Average % Growth Rate: 5%
Net Revenue Increase: 67%	Average Amount of Growth: $24,273,330	Average % Growth Rate: 4.42%
Diversion Increase: 315%	Average Amount of Growth: $ 6,712,500	Average % Growth Rate: 14%

NOTE: Since this data is important to understanding the problems of the Road Use Tax Fund, the actual figures used in this chart are displayed on the next page.

Fiscal Year	Total Revenue	Net Revenue	Diversion Amount
FY85	$461,000,000	$435,400,000	$ 25,600,000
FY86	498,200,000	471,600,000	26,600,000
FY87	540,200,000	515,080,000	25,120,000
FY88	570,300,000	535,290,000	35,010,000
FY89	629,850,000	597,680,000	32,170,000
FY90	675,600,000	638,490,000	37,110,000
FY91	707,480,000	653,840,000	53,640,000
FY92	717,740,000	657,670,000	60,070,000
FY93	753,860,000	666,350,000	87,510,000
FY94	805,460,000	706,190,000	99,270,000
FY95	813,310,000	705,760,000	107,550,000
FY96	831,100,000	725,280,000	105,820,000
FY97	832,830,000	726,680,000	106,150,000

Total Road Use Tax Fund Revenue lost since FY85: $801,620,000

NOTE: The next logical step in the procession of the road fund is through the appropriations process and the RUTF funding for the Iowa Department of Transportation. However, since this funding for IDOT makes up the largest part of the work done by lawmakers annually in the Transportation and Safety Appropriations Subcommittee, and because a large part of that is from the Primary Road Fund as well, we shall wait and examine IDOT funding after looking at the Distribution Formula.

SECTION THREE: THE ROAD USE TAX FUND DISTRIBUTION FORMULA

The formula for alloting the net Road Use Tax Fund after all of the diversions have been made is found in §312.2, §§1 through §312.2, §§4 of the Code and is broken as follows:

- §§1: To the Primary Road Fund, 47 1/2%;
- §§2: To the secondary road fund of the counties, 24 1/2%;
- §§3: To the Farm-to-Market Road Fund, 8%;
- §§4: To the street construction fund of the cities, 20%.

These allotments then are also supported by those off-the-top funds as well, such as the $11.5 million from RUTF to the Primary Road Fund found under §312.2, §§7 and §312.2, §§11, the $1.5 million to the Farm-to-Market Road Fund under §312.2, §§11 and the amount equal to 9/20th cents per gallon from motor fuel revenue found under §312.2, §§14A. Revenue unspent from previous years are re-apportioned as well, and other various diversions made earlier for construction purposes will return portions of their revenue to these road funds, although much of it is earmarked for particular work.

Only the Primary Road Fund and the Farm-to-Market Road Fund are a single individual fund unto themselves and the prime recipients of federal-aid highway money from the Federal Highway Trust Fund. The county secondary road funds and the city street funds are individual funds maintained by each county and municipality. The Treasurer of State apportions the money set aside for counties and cities on a basis by both need and area. However, for the counties, the Farm-to-Market Road Fund is also designed for county road work on specially designated Farm-to-Market roads with the county secondary road fund picking up the non-designated routes.

The Primary Road Fund also undergoes a number of other diversions before its funds are open for construction uses, not the least of which is funding for the IDOT.

Diversions from the Primary Road Fund (PRF)

Funding for IDOT will not be included here, but examined afterwards. Like the other subsidiary funds, since motor fuel and registration revenues are mixed in, they still enjoy the protection of the 18th Amendment from use for non-construction activities. Many of these diversions are not ones made on a regular basis, but are more in the nature of using the PRF as a reserve fund in case of revenue shortfall or if a need arises at IDOT for emergency funding.

Authorization for Late Federal Funds When projects normally funded from other road funds are being held up due to the lateness of federal funding, this authorizes advances from the PRF to that road fund. When federal funds arrive, the PRF is to be reimbursed.

Code Location: §307.44

Placed in the Code: 86 Acts, Ch. 1244, §39

State Park and Institutional Roads Requires that the PRF be used to fund construction and maintenance of the roads on state owned lands.

Code Location: §313.4, §§2

Placed in the Code: 59 Acts, Ch. 207, §2

Authorization to the Iowa Department of Transportation Safeguard for IDOT employees. When an extra salary adjustment is needed for employees, and the legislature fails to appropriate for its need, PRF money may then be used.

Code Location: §313.4, §§4

Placed in the Code: 71 Acts, Ch. 31, §10

Primary Road Fund Contingency Fund This sets aside $500,000 annually from the PRF to a contingency fund for the IDOT to use to pay off claims made against the Department. Should the diverted funding prove inadequate, §313.16 allows the IDOT to divert the amount necessary to make up the difference.

Code Location: §313.17

Placed in the Code: 55 Acts, Ch. 151, §1

Scenic and Improvement Fund Diversion of "sufficient amount" from the PRF to build and maintain rest areas along the highways.

Code Location: §313.67

Placed in the Code: 65 Acts, Ch. 267, §1

Toll Bridge Construction Diversion of "sufficient amount" from the PRF to maintain and operate toll bridges in the state. Diversion for construction only when revenue bonding has proved insufficient, considered an interest free loan to be repayed by toll revenues.

Code Location: §313A.12 and §313A.7

Placed in the Code: 67 Acts, Ch. 255, §12 and §7

Re-Location Diversion of "sufficient amount" from the PRF to IDOT to compensate those who have to be re-located due to highway construction.

Code Location: §316.14

Placed in the Code: 71 Acts, Ch. 173, §14

In theory, the remaining funds are open and free for use in state highway construction purposes. Now we need to take a look at IDOT funding.

SECTION FOUR: FUNDING THE IOWA DEPARTMENT OF TRANSPORTATION

The Iowa Department of Transportation (IDOT) receives its funding from three sources: the General Fund (a small amount), the Road Use Tax Fund and the Primary Road Fund. Different divisions of IDOT receive different levels of funding from these three funds and both the RUTF and the PRF contribute to the employee merit system administered by the Iowa Department of Personnel (IDOP) and the Iowa Public Employees Retirement System (IPERS) for IDOT employees.

Over the years, IDOT expenses have grown as the Department and its duties expand. As IDOT takes in more road money, less is available for construction usage, especially when set against the mounting number and cost of diversions. The chart below takes a look at the rising costs of funding the IDOT from both the Road Use Tax Fund and the Primary Road Fund. RUTF figures are provided by the Legislative Fiscal Bureau, who in turn have received them from the Department. The PRF figures are taken from the appropriation levels set by the Iowa Legislature as stated in the *Acts of the General Assembly of 1987 and 1993.*

NOTE: Budgetary information on Primary Road Fund expenditures for IDOT in FY85, the fiscal year which most of the charts and graphs in this report begin from, are not available. Records for individualized divisions of IDOT begin for FY88.

IDOT Division or Need	RUTF FY88	FTEs	PRF FY88
Administration	$ 2,690,000		$ 16,355,404
FTEs		350	
General Counsel	80,000		689,942
FTEs		8	
Planning and Research	290,000		5,388,387
FTEs		173	
Aeronautics and Public Transit	160,000		156,275
FTEs		8	
Motor Vehicle	14,820,000		492,435
FTEs		547	
Rail and Water	590,000		236,000
FTEs		22	
Highways	0.00		111,735,947
FTEs		2876	

IDOT Division or Need	RUTF FY94	% Increase	PRF FY94	% Increase
Administration	$3,940,000	46%	$25,683,900	57%
FTEs			321.50	-8%
General Counsel	180,000	125%	1,131,760	64%
FTEs			7	-13%
Planning and Research	340,000	17%	6,754,375	25%
FTEs			158	-9%
Aeronautics and Public Transit	260,000	63%	253,530	62%
FTEs			17	113%
Motor Vehicles	20,990,000	42%	826,239	68%
FTEs			549	1/2%
Rail and Water	660,000	12%	273,300	16%
FTEs			18	-18%
Highways	0.00	0%	146,254,770	31%
FTEs			2859	-1%

	RUTF	PRF
Total IDOT for FY88:	$18,630,000	$135,054,390
Total IDOT for FY93:	$26,370,000	$181,177,874
Percent of Increase:	42%	34%

Obviously, some divisions of the Department have expanded more than others, reflecting some of the priorities of the IDOT. The decrease in FTE (full time employees) authorization levels at the same time reflects the hiring freeze on state government set in place by Governor Branstad in the early 90s. This has the effect of a decrease through attrition of staff. So while the actual number of employees has decreased at IDOT, the funding they require to operate has gone up.

SECTION FIVE: NET REVENUE FOR CONSTRUCTION AND FEDERAL AID

By the time road funds have moved through all of their diversions, deducted Road Use Tax Fund money for IDOT, moved through the distribution formula into their four accounts, received certain additions through routed and earmarked off-the-top funding, deducted more from the Primary Road Fund for IDOT, the remaining funds are, theoretically, open for construction purposes. The only alteration they would go through at this point is in receiving federal money. All four road funds receive substantial amounts of federal money, mostly in the form of reimbursement for work already completed. Under federal law, the Federal Highway Administration (FHWA), a division of the U.S. Department of Transportation, reimburses the state between 80% and 90% for construction and maintenance work performed on special designated Federal-Aid Highway System (which was greatly expanded in 1991 under ISTEA).

Federal-Aid Funding

The Federal Highway Trust Fund, the national repository for highway-user fees for road construction similar to the state Road Use Tax Fund, is discussed in Appendix B. Most of the federal highway money which comes to Iowa comes in a reimbursement form. Every five years or so, Congress apportions a particular sum of money to the FHWA to be divided up between the states on a multi-year basis. FHWA then informs the state of how much funding is available to it in each year covered by the Congressional plan, and the states in turn can plan accordingly. The amount listed as available to the state each year takes on the form of a credit line, promising that the state can be reimbursed for work done on designated federal-aid highways not to exceed the amount of credit listed. The state will have to pay all of the up front costs for completion of the work, but once that is accomplished, the state will submit the payment vouchers to the FHWA who in turn reimburses the state for 80-90% of the cost. Request by the state for repayment of a project approved by the FHWA in one year need not be done in the same year. All of the credit available to a state in one year must be eaten up by plans and projects for federal-aid highways

and receive FHWA approval, the projects do not have to be completed and the reimbursement done in the same year. This means for that year, FHWA approval has been given, the federal money "promised", and the money becomes obligated, "spent" in a sense, even though the actual transfer of funds might not take place for a couple of years into the future. This process has had some peculiar results in the Highway Trust Fund. Since a great deal of the money in the fund is so obligated but not yet transferred, the trust fund appears to be holding vast balances of unspent money, but in reality, much of that balance is obligated money which is committed to being paid out at some point in time. More of this is discussed in Appendix B.

So states plan their projects requiring federal-aid money on the basis of the credit promised to them through the multi-year cycle set by Congress and the FHWA. They plan to use state money to actually complete the project and receive the reimbursement when the project is complete. For long range planning to take place, the state develops a plan for the same time frame as Congress has authorized federal money in order to use all of the money authorized by Congress. There is, however, another problem which results from the method of money spending used by Congress.

In Congress, the multi-year plan or cycle which sets spending levels and cycles is based on what lawmakers would like to see spent over the cycle. Congressional committees responsible for this are, in the U.S. House of Representatives, the Committee on Public Works, and Transportation. In the U.S. Senate, it falls to the Committee on Commerce, Science and Transportation. These standing committees, however, only have the power to legislate how much money could be spent if FHWA had the money to spend, *they do not have the authority to actually transfer money from the Highway Trust Fund to the FHWA's Highway Account.* As in the Iowa Legislature, all funding is not controlled by any policy committee, but entirely by the Appropriations Committee and its particular subcommittee for transportation funding. This results in a second committee actually deciding how much funding the FHWA will receive in a year, though they do not have the power to say how much of it the FHWA can spend and where it can be spent. A good analogy might be that of a glass of water. The policy committee decides how much water the glass will be allowed to hold and how the water will be used and how empty the glass will be allowed to become. That committee, however, cannot actually put any water into the glass. The appropriations committee can put water into the glass but cannot decide how much of water the glass can hold (and can in fact overflow the glass) or how much of it will be used. What this means is that the appropriations committee supplies the funding whose purposes are decided by the policy committees. Since one committee cannot bind another, the appropriations committee is not obligated to give as much money to the FHWA for federal-aid highways as the policy committee has decided the FHWA can spend, and, in fact, the appropriations committee continuously underfunds the spending levels set by the policy committee. This tends to come from a difference in priorities and will be discussed in more detail in Appendix B.

Unlike the policy committee, the appropriations committee does not create a multi-year plan for funding federal-aid highways, but instead appropriates money on an annual basis. So let us say that x represents the authorized spending level for FHWA, and y the amount appropriated. In a six year plan (like ISTEA) x has been set out for five years and the state may plan accordingly

and hope that *y* will actually come close to *x* since nobody has any exact idea of what *y* is going to be for any given year. Since *y* is the deciding factor for how much money can really be spent, and this is not known, and since all planning can only be done according to *x*, all IDOT planning can also only be a sort of wish list and any gross difference between *x* and *y* is decided, can wreck considerable havoc with IDOT planning for federal-aid highways.

In 1991, Congressional policy committees created and Congress passed the Intermodal Surface Transportation Efficiency Act (ISTEA, Public Law 102-240) which is the new six year cycle of spending authorizations (or *x*'s) for FY92 through FY97. Under ISTEA, Iowa is authorized to receive the spending levels and credit limits listed below. Since congressional appropriations have been made for FY92 and FY93, those are also listed below as well as estimations on what the appropriations committee might allow for the remainder of ISTEA's running. *Figures are in millions of dollars.*

Category	FY92	FY93	FY94	FY95	FY96	FY97
Authorization	$171.50	212.65	214.19	214.19	214.19	214.19
Appropriation	$168.42	175.44	199.48	203.48	203.48	203.48

(Only FY92 and FY93 are actual figures. FY94 is preliminary based on current congressional action and the years beyond are estimations only. Figures courtesy of the Iowa Department of Transportation, Office of Economic Analysis.)

The state also receives special earmarked federal money for special projects, receives some extra money through a redistribution of unused money by other states, some emergency aid and looses some into certain highway safety programs. For the total amounts expected for Iowa, consult the chart below:

Category	FY92	FY93	FY94	FY95	FY96	FY97
Appropriation	$168.42	175.44	199.48	203.48	203.48	203.48
Special Proj.	27.78	44.40	21.07	21.07	21.07	21.07
Redistribution	5.78	5.22	Unknown ----------			
Emergency Aid	0.00	6.02	10.71	0.00	0.00	0.00
Highway Safety	0.00	0.00	0.00	-2.00	-4.00	-4.00
Total	**201.97**	**231.07**	**231.26**	**222.55**	**220.55**	**220.55**

(Again, only FY92 and FY93 are actuals. Information courtesy of IDOT)

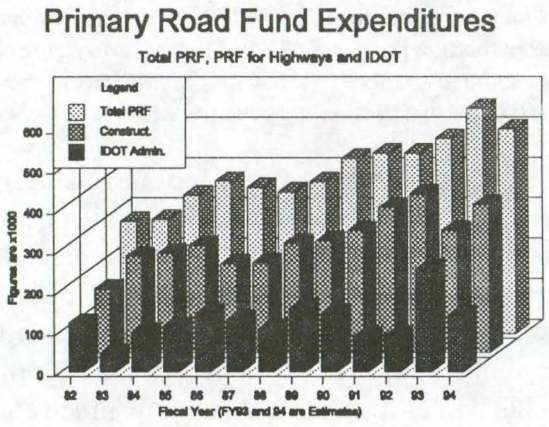
So what do we now know? We know how much federal-aid money Iowa is slated to receive from the FHWA through ISTEA. We know that we have the spending authorizations through FY97 but know that these are only wishes and that the actual appropriations will come in

below these levels. In its publication, Iowa Transportation Improvement Program 1994-1998, IDOT sets out its projected construction planning up to FY98 based on, in part, ISTEA funding. Since actual federal-aid levels are not known for FY94 through FY98, the projects proposed in here are not guarantees, but considered more of a "wish list". With lower levels of actual federal-aid funding coming in, many of the projects listed to begin this year have been either moved into the future or cancelled entirely.

Net Funding for Construction Purposes

Now we reach the final stage of examining the road fund process. Having passed the final level, receiving federal money, the revenue now remaining should be free for highway construction purposes. Through additional data from both the Legislative Fiscal Bureau and the Iowa Department of Transportation's Office of Economic Analysis, we can come up with a good idea of how much money is left over for construction, after the final Primary Road Fund (PRF) deduction are made for IDOT, and set those figures against the Gross RUTF funding we started with several pages back. For our purposes at this moment, however, we will focus on the Primary Road Fund, which also will give us another chance to take another look at the funding levels for the IDOT.

Information from the IDOT Economic Analysis Office provides the total amount of money received in the Primary Road Fund from both the state RUTF and the Federal Highway Trust Fund. At this point, however, a caveat is necessary. Above under the listing of federal funds, it was explained that the amount of money made available from the FHWA, after the congressional appropriations committee has actually appropriated money to be used, comes in reimbursement form and often does not arrive in the state until well after the year it was authorized for. Thus, the totals listed on the last page for the amounts coming to Iowa are not actually deposited into the state coffers in the same year they are authorized for, but instead when the projects approved during the authorized year are complete (normally a year or so afterwards). So the funding authorized to be received in FY93 might not actually reach Iowa in its entirety until FY95. Bottom line is, that the actual amount of federal money received in the state in any given year will not be the same number as authorized for the state that same year. Thus the amount of money the charts below and on the next page list as having been actually received in Iowa during a fiscal year will not be the same numbers listed on the last page as being authorized to Iowa for the same fiscal year. The figures below deal with federal money actually received that year mixed in with Primary Road Fund allocations for the same year. The money totals in the chart to the right of PRF funding and federal-aid money combined is sliced in two ways. The first is showing the amount used in highway construction, including contracts to



construction companies, acquisition of right-of-way, inspections, design and a few others. The second is Primary Road Funding for IDOT (not including General Fund and Road Use Tax Fund money for IDOT). While much of the PRF funding for IDOT is decided by lawmakers, the amount spent on construction is decided by IDOT as is the use of the remaining funds. Therefore most of the division below is under the control of IDOT. The point of this chart is to show approximately how much of the Primary Road Fund and the federal money which flows into it is divided up annually between IDOT administration and actual funding for highway construction and repair.

NOTE: The data supporting this chart may be found below. Data provided by the Iowa Department of Transportation, Office of Economic Analysis and the Iowa Legislative Fiscal Bureau.

Primary Road Fund Expenditure Chart

Fiscal Year	State PRF Funding	Federal-Aid Funding	Total Funding	Total Construction	Difference to IDOT
82	----------	----------	$277.1	$157.2	$119.9
83	$177.6	$90.1	280.7	237.1	43.6
84	184.9	140.5	343.4	245.8	97.6
85	197.4	87.8	379.0	265.0	114.0
86	205.1	143.1	361.0	218.6	142.4
87	217.7	116.0	343.9	222.0	121.9
88	223.6	142.0	379.9	270.2	109.7
89	254.7	160.8	427.4	275.9	151.5
90	280.5	145.7	440.7	301.1	139.6
91	288.0	142.3	450.6	358.7	91.9
92	290.6	167.7	482.3	392.9	89.4
93(est.)	---------	---------	556.2	301.7	254.5
94(est.)	---------	---------	505.0	365.0	140.0

NOTE: Figures from the State PRF column and the Federal-Aid Column do not necessarily add up to produce the number in the Total Funding column due to the fact that there are a few additional miscellaneous additions to the total income. Total income refers to the total state and federal revenue deposited in the Primary Road Fund, broken down between IDOT Administration set by the legislature and with the remainder to be left over for construction purposes. Total Construction figures are provided by the IDOT and the Difference to IDOT is calculated simply by subtracting Total Construction from Total Funding. Not all of Difference to IDOT may go into IDOT Administration but remains under IDOT control.

We are now ready for our final step. For our final point of analysis we need to get a feel for how much has been lost from the Gross Road Use Tax Fund through off-the-top diversions and IDOT funding. For that all we need do is chart the Gross RUTF, the Net RUTF, the actual amounts in the four subsidiary funds after the further diversions are made, the total of the four subsidiary road funds combined (which will not equal Net RUTF due to the additional diversions and other adjustments) and then the four road funds combined as supplemented by federal money. This will allow us to see just how much state money and total state and federal money has been

available for construction purposes.

All data here is from either the Legislative Fiscal Bureau or the IDOT Economic Analysis Office.

The chart will be found on the following page.

Road Fund Apportionments and Totals

Fiscal Year Four	Gross RUTF All Four	Net RUTF	State PRF	Total PRF	State F-to-M	Total F-to-M	State Second	Total Second	State City	Total City	State All	Total
85	461.00	405.40	197.40	379.0	38.00	80.00	113.50	230.70	73.00	277.80	421.90	967.50
86	498.20	421.80	205.10	361.00	39.50	76.20	118.10	304.20	75.90	262.00	438.60	1003.40
87	540.20	450.18	217.70	343.90	42.00	59.00	125.80	244.50	80.90	287.60	466.40	935.00
88	570.30	457.89	223.60	379.90	42.90	65.90	129.00	245.20	82.90	273.20	478.40	964.20
89	629.40	477.25	254.70	427.40	47.20	70.40	143.70	256.20	92.50	301.30	538.10	1055.30
90	673.20	561.56	280.50	450.60	49.30	74.40	151.10	266.40	106.70	306.20	587.60	1097.60
91	694.30	572.25	288.00	450.60	50.50	77.90	154.80	270.00	109.90	310.20	603.20	1108.70
92	700.75	574.63	290.60	482.30	47.70	62.40	148.80	267.20	115.40	402.20	602.50	1214.10

Column one is the fiscal years for which complete data is available. Column two contains the Gross Road Use Tax fund figures which we have been using all through this work with column three showing Net RUTF after all of the off-the-tops have been made. Column four is Gross Primary Road Fund figures prior to deductions for IDOT, although certain construction oriented off-the-tops have been added back in, column five containing incoming federal money and other miscellaneous adjustments to the PRF. Columns six and seven are the state contribution to the Farm-to-Market Road Fund, the federal-aid money and more miscellaneous adjustments. Columns eight and nine are the aggregate total of all of the county secondary road funds, the former showing the state portion, the later showing it with federal-aid and local property tax revenues. The same goes for the city funds in columns ten and eleven, although federal aid is higher and many municipalities barrow money to supplement their work. The second to final column shows the sum total of all of the state funds in the four subsidiary funds, though due to the number of adjustments each has gone through, totals here do not match the Net RUTF figures (off-the-tops for construction added back in). The final column is the total funding available after off-the-tops, federal-aid and other adjustments for each year are made, but prior to PRF deductions for IDOT. This gives one of the best representations possible of the amount of funding which has been free in the past for horizontal infrastructure work. After all adjustments are made, though prior to PRF funding for IDOT, for FY92, the total in all of the road funds was nearly $100 million smaller than the Gross RUTF for the same year.

A Full Look at the Road Use Tax Fund

While not exactly a mathematical formula, this gives a good overview of the entire process road funding goes through before it reaches the final stage where it lays open for construction purposes. For this exercise we shall start with Gross Road Use Tax Funds after revenue deposits and diversions from these revenue sources have been made (such as all the diversions from the Use Tax).

Gross Road Use Tax Fund

add in revenues rolled over from the previous year
subtract diversion to the Primary Road Fund of $11.5 million §312.2, §§7 and §§11
subtract diversion to the Farm-to-Market Road Fund of $1.5 million of §312.2, §§11
subtract diversion to secondary road fund of 9/20th of a cent on fuel tax §312.2, §§14A
subtract diversion to RISE of 1.55 cents per gallon of the fuel tax §312.2, §§14
subtract diversion for state functional classification review board of $500,000 §312.2, §§10
subtract diversion for state institutional roads of 65/100% of total RUTF §312.2, §§5
subtract diversion to IDOT for secondary and urban assessments of $500,000 §312.2, §§5
subtract diversion to Living Roadway Trust Fund of $250,000 §312.2, §§9 and §§12
subtract diversion to Highway Railroad Safety Fund of $700,000 §312.2, §§5
subtract diversion to Highway Railroad Surface Repair Fund of $900,000 §312.2, §§5
subtract diversion to county bridge construction fund of $2 million §312.2, §§19
subtract diversion to city bridge construction fund of $500,000 §312.2, §§19
subtract diversion to IDOT for license plate supplies of "sufficient amount" §312.2, §§6
subtract diversion to IDOT for traffic safety projects of 1/2% of total RUTF §312.2, §§16
subtract diversion to IDOT for license suspension serving cost §321.211
subtract diversion to IDIA (not codified) for amount set by legislature
subtract diversion to equipping county treasurers of $650,000 §312.2, §§21
subtract diversion to IDOT for license production cost (not codified) of sufficient amount
subtract diversion to Highway Patrol (not codified). Amount set by legislature
subtract diversion to Department of Justice of 25 cents per title §312.2, §§13
subtract diversion for public transit assistance of amount equal to 1/20th of 80% of Use Tax §312.2, §§13
subtract diversion for recreational trails of $1 million §312.2, §§18
subtract diversion for motorcycle education fund of $1 per motorcycle reg. §312.2, §§17
subtract diversion to Department of Management of amount set by legislature (not codified)
subtract diversion to Department of Personnel (not codified), amount set by legislature
subtract diversions for various one-time off-the-tops
subtract for the Iowa Department of Transportation

Net Road Use Tax Fund 100%

- 47 1/2% to the Primary Road Fund
- 24 1/2% to the county secondary road funds
- 8% to the Farm-to-Market Road Fund
- 20% to the city street funds

Gross Primary Road Fund after Distribution Formula

Add in §312.2, §§7 and §§11 diversions of $11.5 million
Add in §312.2, §§5 diversions of 65/100ths of a cent on fuel for state institutional roads
Add in federal funding from the Highway Trust Fund
subtract diversion of "sufficient amount" for state institutional roads §307.44
subtract diversion for IDOT contingency fund of $500,000 §313.17
subtract diversion for scenic improvement fund of "sufficient amount" §313.67
subtract diversion for toll bridges of "sufficient amount" §313A.12
subtract diversion for re-location of "sufficient amount" §316.14
subtract for the Iowa Department of Transportation

Net Primary Road Fund for Construction Purposes

SECTION SIX: THE LEGISLATIVE SUBCOMMITTEE ON TRANSPORTATION AND SAFETY

Like Congress, the Iowa Legislature has a committee whose sole purpose is control of the state financial resources: the Appropriations Committee. Like Congress, each chamber has its own appropriations committee which then divides into subcommittees, one for each major area of finance. Unlike Congress, these subcommittees meet in joint session, that is both the House and Senate subcommittees meet, discuss, and vote on business together. Each subcommittee then passes out a single appropriations bill for the year, which then goes into the full and separate appropriations committee of one chamber, then to that chamber as a whole, and then across to the other chamber and its appropriations committee. In the Iowa Legislature all transportation funding comes through the Appropriations Subcommittee on Transportation and Safety, which passes out a bill that determines most of the funding for the IDOT from both the Road Use Tax Fund and the Primary Road Fund, as well as of all the funding for the non-codified off-the-tops (such as the highway patrol or the Department of Management) and all of the one-time diversion for particular projects. New off-the-tops normally come out of this committee as well, although it is possible for them to come out of others.

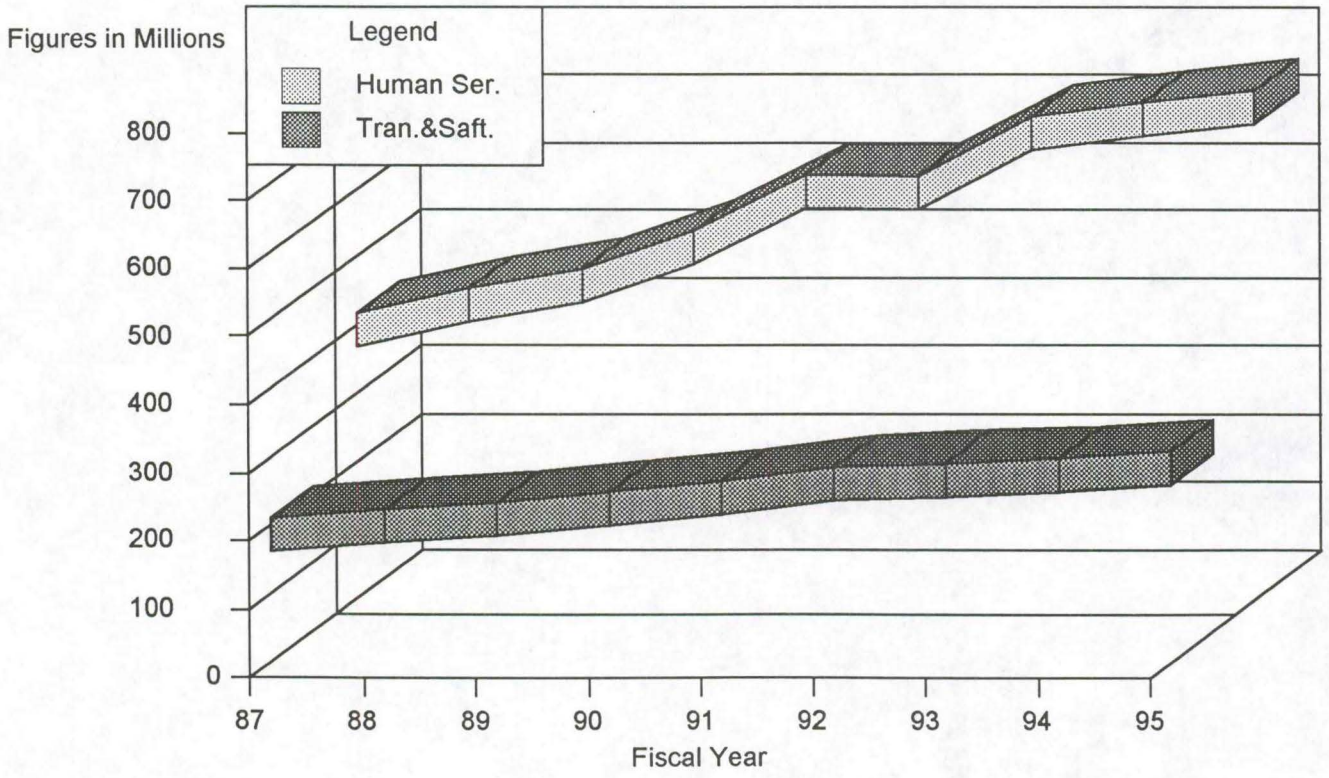
Unlike the other eight appropriations subcommittees, the Transportation and Safety Subcommittee spends very little General Fund money, funding nearly all of its jurisdiction out of the Road Use Tax Fund or one of the subsidiary road funds. This in turn means that one of the largest parts of state government, the Iowa Department of Transportation is funded outside of the general fund and the regular state tax revenue. It instead, through the jurisdiction of the Transportation and Safety Subcommittee, receives nearly all of its funding through the highway users fees found in the RUTF. This makes both the IDOT and this subcommittee unique in the state government.

Despite the massive size of the IDOT and the highway construction program, other general fund programs and appropriations subcommittee jurisdictions far out spend the Transportation and Safety Subcommittee, as does the amount of money spent by the legislature on general capitol projects and unassigned projects in what is generally referred to as the "10th

on general capitol projects and unassigned projects in what is generally referred to as the "10th budget bill" passed at the end of the session. To get an idea of the spending priorities of the General Assembly, the spending authority of the Transportation and Safety Subcommittee is charted against two other major spending jurisdictions as well as the unassigned and capitol projects on the following pages. The other two spending jurisdictions below are the Appropriations Subcommittees on Education and Human Services. These numbers are provided by the House Committee on Appropriations.

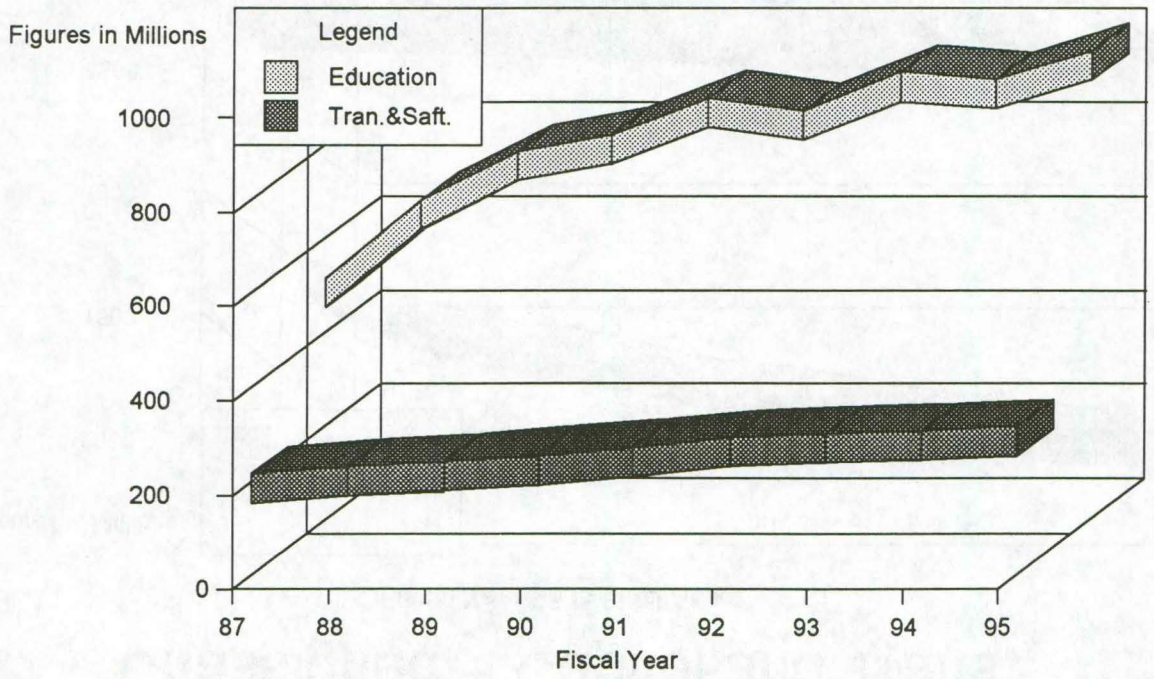
Human Services and Transportation

Fiscal Year 95 is Final Action

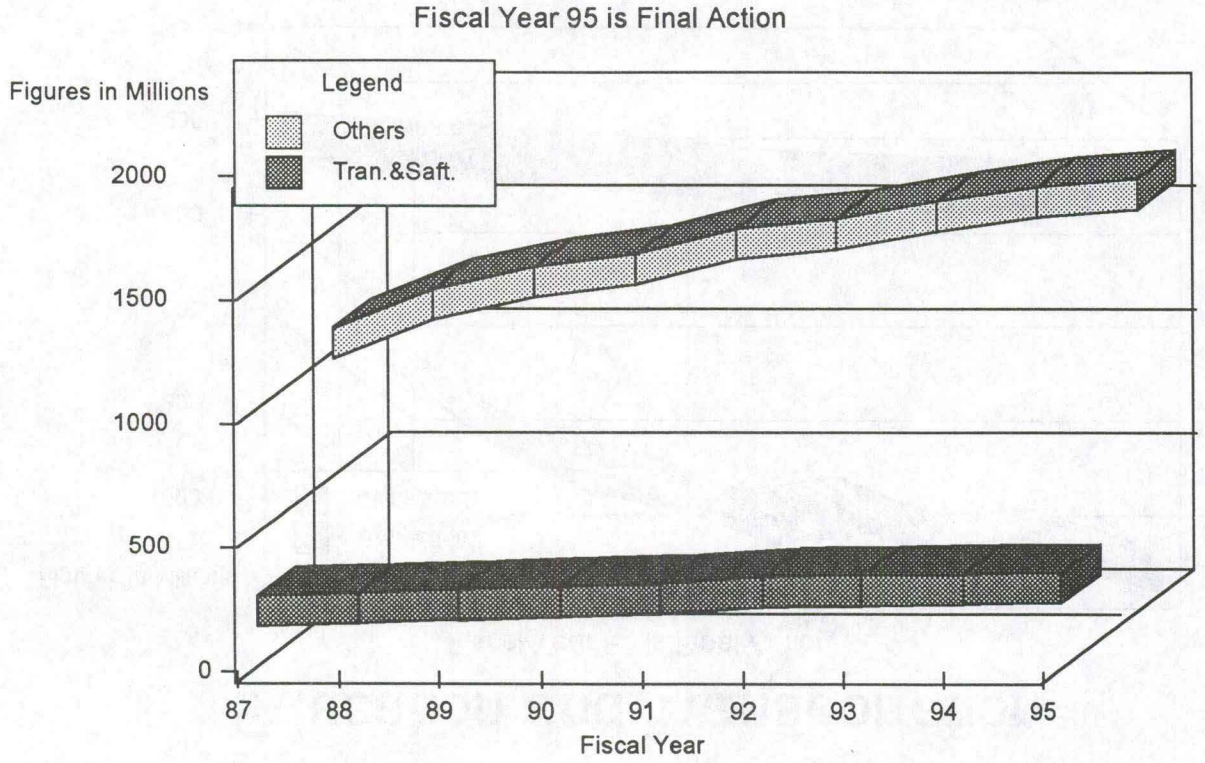


Education and Transportation

Fiscal Year 95 is Final Action



Unassigned + Capitol and Trans.



Again, it is important to remember that the figures used for transportation are not Road Use Tax Fund figures, but the complete spending authorizations of the Appropriations Subcommittee on Transportation and Safety, the major portion of which is the RUTF but also uses some General Fund money. Also, remember that these are legislative apportionments which will be close to, but not exactly, a reflection of the amounts spent by the various departments of state government which make up each subcommittee.

SECTION SEVEN: DRAWING CONCLUSIONS

When first placed into law in 1949, the Road Use Tax Fund was fairly straight forward and uncomplicated. Revenue came in without interference, was deposited in the RUTF, and then apportioned out through the distribution formula without any diversions. Through the subsidiary road accounts was funded the Iowa State Highway Commission. Today, counting diversions from the use tax, there are thirty-four non-one-time off-the-tops from the road fund, both RUTF and Use Tax, twenty-five of which could be considered for "non-construction" purposes. Eighteen of these off-the-tops are made straight from the RUTF itself. Through these non-construction diversions millions in state highway user revenue is stripped from the road fund, diverted from their intended purpose as laid out in the 18th Amendment of the Iowa Constitution and in state law. In FY93, approximately $145.35 million was diverted from the road fund through RUTF and Use Tax diversions. Of that amount, approximately $54.75 million returned to the subsidiary road funds in one form or another, leaving $90.6 million lost or very specifically earmarked. Earlier we divided all of the use tax and RUTF off-the-tops down into "construction" and "non-construction" categories and found that the non-construction diversions are rising far faster than the construction off-the-tops. For FY93, approximately $54.75 million was taken off for construction purposes while $90.6 million was diverted for non-construction. And as a whole, we have seen that diversions are rising more than twice as fast as the total revenue to the Road Use Tax Fund. Unless checked, this rise could seriously hamper Iowa's ability to maintain its horizontal infrastructure over the next twenty years.

In Part Three we shall take a look at the infrastructure crisis and the immediate need for an end to these rising diversions, and in the final conclusion we can target a number of diversions which perhaps lawmakers should give serious consideration to abolishing.

Part Three:

Iowa's Horizontal Infrastructure

and the

Road Use Tax Fund

Part Three: Iowa's Infrastructure and the Road Use Tax Fund

This part will take a look at the conditions of Iowa's highways and bridges, their age, their current and projected usage and the efforts by the Iowa Department of Transportation and other levels of government to keep them in a state of repair with the road fund money available to them. It will also take a look at the trends in the road fund discussed in Part Two, along with trends in road condition and projected road need.

Two documents published by the Iowa Department of Transportation (IDOT) figure prominently in this part. They are:

Quadrennial Need Study: Report on Highways, Roads and Streets for Study Years 1990-2009 put out by the IDOT in 1990; and the

Iowa Transportation System Facts put out by the IDOT in 1993.

These are technical reports on the conditions and needs of Iowa's highway and bridge system and clearly show the infrastructure crisis which may very well soon be facing this state.

SECTION ONE: IOWA'S CONNECTION BETWEEN THE ECONOMY AND HORIZONTAL INFRASTRUCTURE

The Importance and Need of Good Horizontal Infrastructure

Iowans need a good, solid horizontal infrastructure. With the rising trends in highway usage by both the public and private sectors, having an infrastructure system in excellent condition becomes the key to Iowa's economic well being, both in manufacturing and services as well as agriculture. Consider these facts:

> The trucking industry employed 84,401 Iowans in 1992, that is 1 out of 12 people;

> The trucking industry gave to the state over $2.2 billion through payment of salaries;

> Iowa's trucking industry is not just giant corporate haulers. There are 6,370 trucking businesses in the state, only a small fraction of which belong to large corporations. Most are family run operations;

> The trucking industry rate of freight hauling has risen by 57% as of 1991 from 1982 and carried 81% of all freight moved in Iowa in 1991;

> Iowa in 1990 was the 8th highest state in terms of vehicles registered per 1000 persons;

> Vehicle miles traveled in Iowa had by 1991 increased by 23% from 1971;

> Iowa's rate of taxation on gasoline is the 16th highest in the nation, but Iowa had, in 1992, the 4th highest tax rate on diesel fuel;

> In 1991, the state highways were calculated to carry a daily average of about 3,862 vehicles per average miles;

> While in 1990, only about 9% of Iowa's roads were on the primary system, this system carried not only approximately 60% of all travel in the state, but about 90% of all large truck travel. This is partially the case because two of the nation's principle interstates, I-80 and I-35 intersect in Iowa;

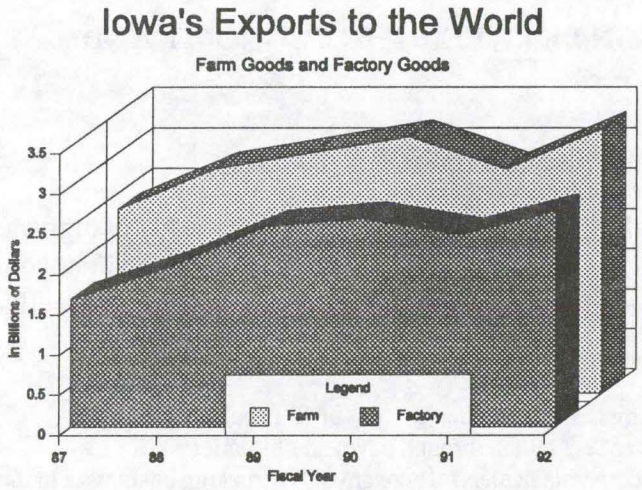
> Nearly half of the primary system is half a century old.

(All statistics here courtesy of the Federal Highway Administration, the Iowa Department of Transportation and the ATA Foundation)

Iowans like to use their roads, and Iowa's dependence on highways in relation to the transportation industry is growing rapidly, especially since the highway transportation industry is growing at a far faster rate than any other mode and hauls 81% of all freight moved in the state. But there are even more factors to consider when evaluating the overall importance of the horizontal infrastructure to the needs of the state. An effective infrastructure is a pre-requisite for having a sound and expanding economy.

Horizontal Infrastructure and Economic Growth

Iowa is, always has been and likely will remain, an agriculturally based state as far as production goes. With some of the most fertile soil in the world, Iowa farmers grow the food and produce which supplies people all over the world. U.S. Department of Commerce statistics indicate that of Iowa's exports in 1992, about 55% were agricultural goods. Overall, Iowa's exports to the world have grown considerably over the years with only a brief drop in 1991. Consider the following chart:



Over all, this shows an approximate 54% export increase between 1987 and 1992. Of this increase, agricultural exports increased by 43% and factory exports increased by about 69%. The rate of growth from 1991 to 1992 is approximately twice the national export growth as Iowa products come under increasing international demand.

With the trucking industry carrying the lion's share of freight, both factory produced and agriculturally produced, we have an idea of how crucial an effective highway system is to the movement of Iowa produce to international ports-of-call. The highway transportation industry is also looking at a major expansion in the years ahead with the passage of the North American Free Trade Agreement (NAFTA) with the lower import/export tariffs it provides along with the new GATT (General Agreement on Tariffs and Trade) international rules. This will allow for the increasingly free movement of commerce between the United States, Canada and especially Mexico. This extra freedom of movement is expected to increase the need for truck transportation to Mexico (the trucking industry already has about an 80% share of the total commercial freight traffic with Mexico. It is roughly estimated that approximately 160 million tons of freight crosses the boarder in trucks each day). As a result, Iowa is expected to be able to continue increasing exports to Mexico, which have already shot up from $100 million in 1991 to $174 million in 1992. Iowa exports to Canada were

approximately $732 million for 1992. With the Iowa trucking industry hauling about 81% of Iowa's freight, it can roughly be calculated that of the $174 million worth of exports to Mexico in 1992, approximately $140.94 million was moved by truck, as well as about $592.92 million of the 1992 export freight to Canada. Since it is apparent that most of this will continue to move by truck, Iowa will need highways capable of sustaining this growth in transportation and commerce. This shows how Iowa's highway infrastructure is intimately linked with the economic well being of the state and its future development. At times the Iowa Legislature has realized this as can be seen with the passage of legislation establishing the Commercial and Industrial Network inside of the primary road system (about 2,330 miles) as well as the RISE (Revitalize Iowa's Sound Economy) program for road construction supporting local economic development. Also, with the increase in highway transportation, user fee revenue to the Road Use Tax Fund will also increase. But this increase will be the highest when the most freight is in movement, and the most freight will be in movement when the highways are the best shape they can be.

(All figures used here courtesy of the U.S. Department of Commerce, the U.S. Bureau of the Census, the Iowa Department of Economic Development, the Iowa Department of Management, the Congressional Research Service and the American Trucking Association).

These above claims and projections linking a sound horizontal infrastructure to economic well being are supported by empirical research done by a number of prominent economists. Dr. Alicia H. Munnell, Senior Vice President and Director of Research for the Federal Reserve Bank of Boston, wrote in her article "How Does Public Infrastructure Affect Regional Economic Performance?", published in *Economic Review*, the following:

"The conclusion is that those states that have invested more in infrastructure tend to have greater output, more private investment, and more employment growth. This evidence supports results found in earlier studies. The empirical work also seems to indicate that public investment comes before the pickup in economic activity and serves as a base."

Another prominent economist from the Federal Reserve Bank of Chicago, Dr. David Alan Aschauer, who has done the seminal research on the link between public investment in horizontal infrastructure and economic growth, wrote in his article "Infrastructure: America's Third Deficit", published in *Challenge*:

"Analysis shows that public investment in streets, highways and water and sewer systems is an important factor in explaining the variation in levels of productivity across states."

And,

"The categories of public capital baring the most importance for private productivity turn out to be streets and highways and water and sewer systems; other public capital facilities have little or no explanatory power in private sector output regressions."

Since this then supports the claim that Iowa needs a first rate horizontal infrastructure to maintain its competitive edge in both the national and international markets, we need to take a look at the conditions of the state's highways and their needs versus the resources available for

their repair and assess future need.

SECTION TWO: LOOKING AT IOWA'S HIGHWAY SYSTEM

Current Condition of Iowa Horizontal Infrastructure

The Iowa Department of Transportation in 1991 released the following statistics on the extent of Iowa's road system:

Total miles of highways and streets in Iowa: 112,396 miles
Vehicle traffic on total highways in 24 hours: 64 million vehicle miles travelled
State ranking in terms of miles of highway: 10th in the nation
Miles in the Commercial and Industrial Network of Highways: 2,330 miles
Miles of Interstate: 782 miles (.7%)
Non-Interstate State Highways: 9,324 miles (8.3%)
City miles: 12,837 (11.4%)
County Road miles: 89,453 (79.6%)
Percentage of Annual Vehicle Miles Traveled on:
- Interstate: 20.6% for all vehicles / 46.8% for heavy trucks
- Non-Interstate State Highways: 39.8% for all vehicles / 39.4% for heavy trucks
- County Roads: 17.4% for all vehicles / 11.5% for heavy trucks
- City Roads: 22.2% for all vehicles / 2.3% for heavy trucks

Number of road bridges: 25,554 (3,918 on State Highways and Interstates)

Iowa has an extensive highway system connecting the various major centers of the state to each other, connecting the rural areas to their markets and linking Iowa to the rest of the nation and beyond. Unfortunately, much of this horizontal infrastructure is becoming old, a great portion of it built over half a century ago. Consider these statistics:

Average Age of the Interstate System: 21 years old
Miles of interstate road: 782 miles
Age Breakdown:
- Five years of younger: 107 miles (13.8%)
- 6 to 10 years old: 73 miles (9.3%)
- 11 to 15 years old: 3 miles (.4%)
- 16 to 20 years old: 134 miles (17.1%)
- 21 years or older: 465 miles (59.4%)

Average Age of the State Highway System minus the Interstate: 41.5 years old
Miles of State Highway: 9,324 miles
Age Breakdown:
- Five years or younger: 224 miles (2.4%)
- 6 to 10 years old: 215 miles (2.3%)

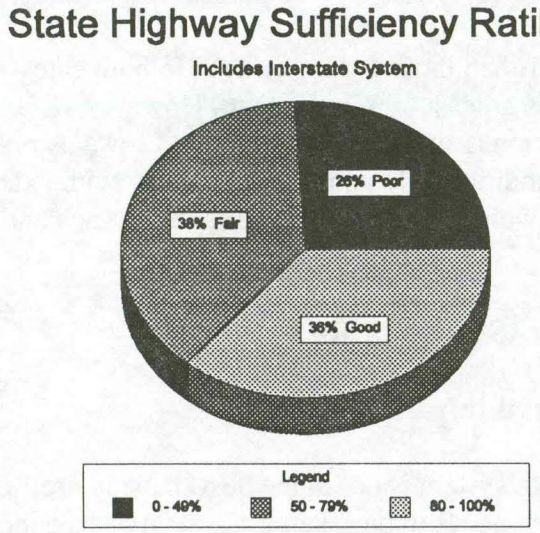
11 to 15 years old: 354 miles (3.8%)
16 to 20 years old: 559 miles (6%)
21 to 40 years old: 3,366 miles (36.1%)
41 years or older: 4,606 miles (49.4%)

Consider this chart on highway pavement age:

Category	Miles and Percentages of Pavement				
Type of Highway	5 years of less	6 to 10 years	11 to 15 years	16 to 20 years	Older than 21
Interstate System	303 (38.8%)	150 (19.1%)	24 (3.1%)	86 (11%)	219 (28%)
State Highways	1576 (16.9%)	1604 (17.2%)	1492 (16%)	1137 (12.2%)	3515 (37.7%)

Interstate Average Pavement Age: 12.7 years old
State Highways Pavement Age: 18.3 years old

A significant portion of the pavement then in Iowa, which is one of the principle factors in the wear and tear of vehicles which in turn is a barrier to smooth and effective transportation, is nearly twenty years old. And this is *only for state highways and the interstate system.* Likely, rural roads are older and with worse pavement conditions.



So, we now know how old the pavement on the roads is, but what condition is it actually in? Consider these sufficiency ratings of the chart to the left provided by IDOT.

NOTE: The IDOT calls a "sufficiency rating" to mean a rating based on structural adequacy, safety and service. To properly read this pie chart it must be understood that the rating of sufficiency is displayed in the legend and the percentage in the chart is the percentage of the road system falling under that sufficiency classification. Therefore, 26% of the state highway system is in the "black" category of roads found to be merely 0 - 49% sufficient; 38% of the state roads are found to be 50 - 79% sufficient and only 36% are found to be 80% sufficient or over.

So, a fourth of the state highway system is in the worst category of sufficiency, and 64% cannot even qualify for the top fifth. With the increasing amount of travel, these are not ratings to be overly proud of.

Another place to take a look at conditions is on rural highways where the state of the infrastructure directly impacts agriculture. According to the IDOT Quadrennial Needs Study, 73% of the state highway system in need of repair is rural, and out of the overall state need, the secondary road system (including Farm-to-Market) makes up 41.5% of the total need (that is in addition to the rural state highways). These road maintenance needs have increased by approximately 12% since the last study done in 1986, and the structural maintenance need has increased by 19%.

Another way to look at the condition of infrastructure is to look at the bridges of Iowa:

Number of bridges in Iowa: 25,554
On State Highway System: 3,918 (15.3%)
In city system: 1,130 (4.4%)
On county system: 20,506 (80.3%)

Bridge Sufficiency Ratings

System Type	0 - 49% (Poor)	50 - 79% (Fair)	80 - 100% (Good)
Interstate	3%	27.8%	69.2%
State Highway	8.4%	38.8%	52.8%

Bridge statistics appear somewhat better than those for highways. In both categories over 50% of Iowa's bridges were found to be rated as at least 80% sufficient. However, despite these seemingly high ratings, in 1993 the NBC television news show Dateline rated Iowa as one of the ten worst states in the nation for poor bridge conditions. It supported the claim with extensive data from the Federal Highway Administration which gave an itemized rating to each and every major bridge in the state.

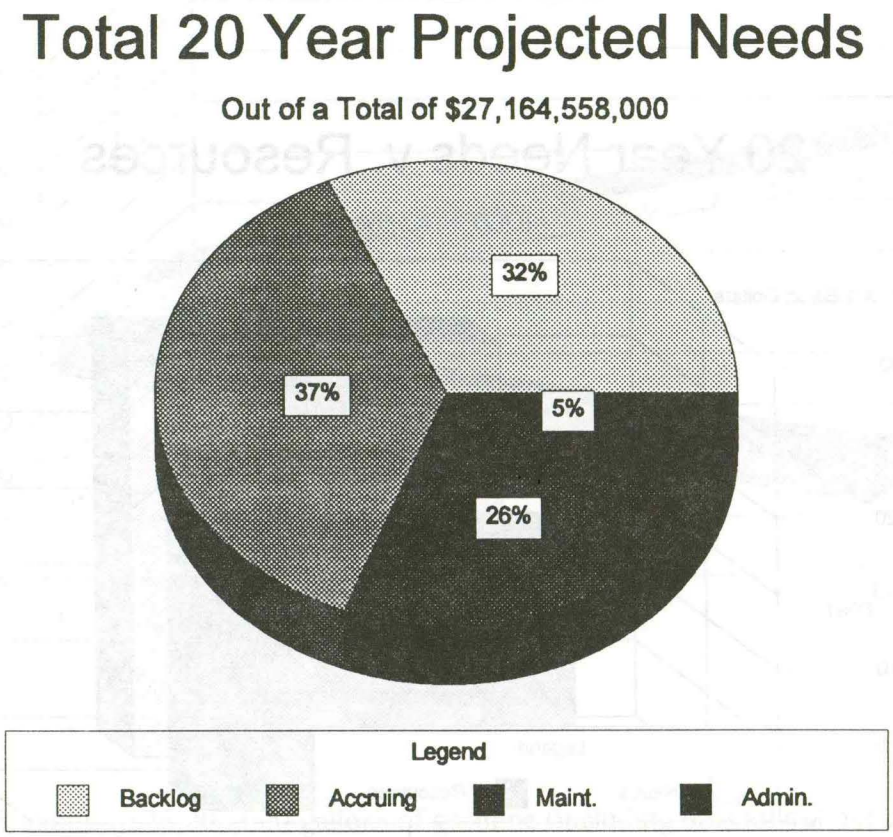
SECTION THREE: THE CRISIS OF INFRASTRUCTURE FUNDING

Funding the Rebuilding of the State Horizontal Infrastructure

The claim that Iowa's highway and bridge system is not in the best shape is itself not examining the entire problem. The question now needs to be asked if the state has a handle on this potential crisis. In other words, having established that a problem exists, can we solve it with our current resources? For that we must look once more towards the funding for highway repair. In the IDOT's Quadrennial Needs Study, the projections for total need over the next twenty years is assessed and listed. Listed next to those figures is a more frightening figure, the backlog of projects from past highway construction plans which are not yet finished. What is even worse yet is that the backlog need for funding is nearly equal to the new accruing need. Examine the table and the pie chart on the next page.

(Numbers in billions)

System Type	Backlog	Accruing	Maint. & Admin.	Total
State Highways	$3,541,237	$3,925,131	$2,407,995	$9,874,363
Rural County Roads	$3,490,846	$3,678,386	$4,117,755	$11,286,987
Municipalities	$1,599,649	$2,488,299	$1,783,976	$5,871,924
Others	$43,783	$45,643	$24,486	$131,284
Total	**$8,675,515**	**$10,137,459**	**$8,351,584**	**$27,164,558**



What this essentially means is that out of all of the money the IDOT hopes to spend over the next twenty years (1990-2009), 32% will be on projects left over from earlier twenty year plans due primarily to lack of money. This means 32% of projected funds cannot go to other needed work because we are still trying to catch up to where the state was supposed to be in 1990

Gallons Consumed	X	Tax Rate	Projected State Tax Revenue
1,441,000,000 (61.3%)	X	.20 per gallon	$288,200,000
909,800,000 (38.7%)	X	.19 per gallon	$172,900,0

REVENUE LOSS DUE TO ENGINE EFFICIENCY

Potential 1993 revenue if adjusted for travel increase from 1978	$461.1 million
Estimted 1993 annual revenue reflecting engine efficiency	$265.8 million
ESTIMATED ANNUAL LOSS DUE TO ENGINE EFFICIENCY	$195.3 million

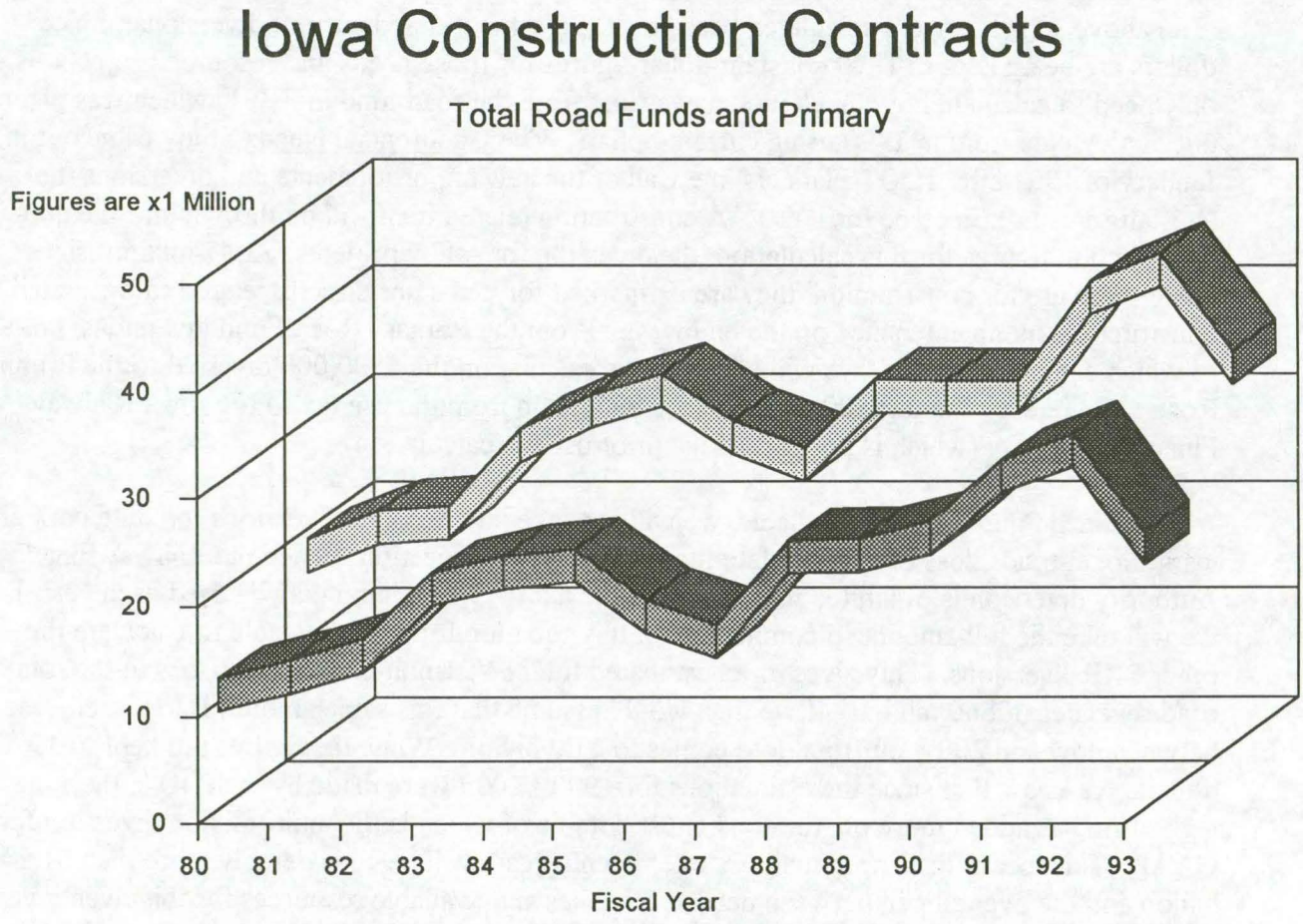
What happened? Why are the actual fuel tax revenues for 1993 so much smaller than what projections from 1978 would have indicated? Travel did not decrease, but in fact increased. The logical alternative factor is that while travel went up, the amount of fuel consumed for that travel went down (and since travel increased significantly, the decline in fuel consumption is steep indeed). The impact of this on projections on future road fund revenues is of obvious importance since, assuming that engine efficiency will continue to increase, projections of fuel revenue by 1994 standards are likely to be significantly higher than what they will actual become.

Of course the motorist is the one who benefits from increased engine efficiency. Figures show that in 1978 the average motorist received about 18 miler per gallon on fuel consumed. If a motorist drove 10,000 miles that year, about 555 gallons were consumed. State fuel tax rates were 8 1/2 cents per gallon in 1978 so that means the average motorist would generate about $47.18 in state fuel tax revenue. Assuming the average cost of gas per gallon minus the state tax was $1.18 (which includes the federal gas tax) than the average motorist paid about $702.08 in 1978 for traveling his 10,000 miles. In 1993, with an approximate 27.5 miles per gallon in fuel consumption, 10,000 miles driven, the average motorist consumes about 363.6 gallons. The same motorist then pays about $72.72 in state fuel taxes and, assuming $1.00 per gallon for the remainder, average total paid for 10,000 miles of travel in a year by a motorist is $436.32. Therefore, the average motorist in 1993 has saved about $265.76 from what would have been spent for driving the same distance in 1978. Clearly higher engine fuel efficiency leaves more money in the motorists pockets, even without making adjustments for inflation.

NOTE: Important to remember that these figures only apply to standard fuel and ethanol fuel. The diesel engine used in trucks has gone up in the numbers of gallons consumed as there has been little change in truck engine fuel efficiency between 1978 and 1993. All figures used here are provided by the Iowa Department of Transportation and U.S. News and World Report.

Impact of Revenue Losses on Construction Contracts

The impact of these shortfalls in revenue and the diversion of money from the road fund already is showing up in the erratic history of and the recent fall in construction contracts awarded by both the state and local governments. The chart below shows the recent trends in contracts. The top line is all contracts from state, county and municipal governments while the lower line reflects contracts awarded by the state through the IDOT. All of the data used was provided by the Iowa Department of Transportation's Office of Contracts:



Problems and Options

So what is to be done about this short fall? Should IDOT planners roll over nine to ten billion dollars worth of projects into the 2010-2029 plan? While not all blame for the shortfall can be laid at the feet of those who have diverted the use tax, Road Use Tax Fund, and Primary Road Fund moneys over the years, certainly a very large part of it can. It brings us around to considering what the funding conditions for these twenty years might have been like had these diversions not occurred. For this exercise, we will refer back to the off-the-top separation between construction related and non-construction related diversions, and calculate what revenue would be like if the non-construction diversions had never been taken out. It should be remembered that most of the construction diversions are really more in the way of earmarkings and actually remain as revenues inside of the road fund, just specially obligated to certain projects. The above statistics were calculated based on 1990 estimates and current diversions. Since dollars are being kept in 1990 constant dollar figures for those needs and resource projections, we only need to calculate how much money was lost from the road fund in FY91, which was planned out by the legislature in 1990 using current dollars. The Quadrennial Needs Study came out in January of 1991 after IDOT planners knew all of the new apportionments and diversions the legislature had set in place for FY91. A construction related item will be thrown into the non-construction figures for this calculation, the diversion for safety projects ($3.47 million) since while these are for construction, they are earmarked for items not directly related to the actual construction and maintenance on the highways. From the Primary Road Fund diversions, not all of which can be calculated, we will add into this calculation the $500,000 diverted to the Primary Road Contingency Fund ($500,000) and the $2 million from the use tax to the Iowa Railway Finance Authority (which is not part of the prior use tax calculation).

Since figures are not available, we will not take into account diversions for state park and institutional roads, loss of special plate funds and cost of relocation. Since the Railway Finance Authority diversion is of limited use, not all of the allowed $2 million may be used each year, but we will take the full amount to compensate in this equation for not being able to calculate the other PRF diversions. This gives us an estimated total FY91 non-construction loss to the total road revenues of $60 million. If we then would assume that this same amount is lost each year between now and 2009, our total loss comes to $1.2 billion. While the figures are kept to 1990 dollars, we know that since the estimations for 1990 - 2009 were made by the IDOT, the legislature has added more off-the-tops, most notable of which is the multi-million diversion for GAAP. This means that the actual loss over twenty years will be considerably more than $1.2 billion and the over all gap between needed revenues and available resources for this twenty year period will be much greater than $9.4 billion.

The diversions account for approximately 13% of the total shortfall. Of course, the other way to look at that is that if we did not have these diversions, that would be 13% more construction work which could be done on our highways. 13% more public investment which could be made in horizontal infrastructure and the well being of Iowa's economy. 13% more given back to the highway users of this state. 13% more available for jobs and infrastructure and dedication to future growth.

Conclusion

In a world of expanding economic horizons, Iowa is slowly curtailing its ability to compete at its maximum potential by allowing its horizontal infrastructure to gradually fall further and further into decay. As the highway system, much of it well over a quarter of a century old, falls into disrepair, the funding provided through taxes by highway users has been siphoned off for a variety of purposes, most of which are only tentatively connected to highway construction at best.

Iowa has an excellent road funding system set down in state law. Funds generated from highway usage, the same usage which is responsible for the wear and tear of the roadways, are routed into a special trust fund, the Road Use Tax Fund. Structured to generate the maximum equity, highway users fees are structured so that those who use the road more pay more in motor fuel excise taxes into this trust fund, thereby contributing more to the money supply used to repair the roads. Along the same lines, the transportation industry, particularly the heavy truck haulers, in addition to paying the higher diesel fuel tax, pay higher registration fees on the basis of gross vehicle weight so that the larger amount of wear these haulers generate on the highway system is compensated by the higher rates they pay to operate. The obvious intention of the lawmakers who crafted this well balanced system was that the highways should not be repaired at the expense of the state in general, but through those who use it, and the reverse, that the revenues generated from use should go to the well being of the highways and not for other purposes. This was part of the theory behind the creation of the 18th Amendment to the Iowa Constitution which places very special protections on highway users fees by restricting their use to highway construction, maintenance and supervision only. How strict this constitutional restriction is or should be is a matter for public policy and legal debate.

As Iowa approaches the new millennium, recent international policy decisions have opened up a new world of economic opportunities for the state, most of which will require the extensive use of the state highway system. But even with this aside, Iowa's need for a sound highway system is readily apparent. Highways are the economic arteries of all states and nations, Iowa more so than most. Not one Iowa town can exist independent of the highway system which allows local farmers to haul their produce to markets around the state and around the world. In turn, the highways bring goods and services to each and every small town general store. There are no exceptions. Breakthroughs in telecommunications have made the world a smaller place in the transfer of information and knowledge, but the highway system has actually allowed people to travel swiftly and easily from one region of the nation to another and people are eagerly making use of it. With automobile travel up 70% over the past of couple of decades, and truck transportation up a 100% over the same time frame, the importance of Iowa's highway system to both economic and everyday life increases from year to year.

Unfortunately, a pro-highway atmosphere has not always existed in the debates of lawmakers in the General Assembly. The last couple of decades have seen dramatic growth of the number of diversions from the Road Use Tax Fund of highway user funds for either superfluous highway use or for non-highway use completely. When constitutional restriction threatens to kick in, some lawmakers have found loopholes such as the use tax. The use tax was created after the 18th amendment was adopted and does not enjoy the same constitutional protection as the Road

Use Tax Fund. Road funds now go to environmental clean up projects having nothing to do with the land around the highways, to incentives for corporate farms, to massive government bureaucracies and to balance the state budget because the state general fund was overloaded. Today the rate of money lost from the road fund through these diversions is at a rate of approximately twice more than the rate of revenue coming into the Road Use Tax Fund. Without any additional changes, this will continue to eat away more and more of the road fund until nothing at all remains.

Meanwhile, the Iowa Department of Transportation's Planning Office has found that road fund revenue available for construction use is vastly inadequate for the large number of repair projects which will be required to keep the state horizontal infrastructure in usable shape. As a result, the current construction plans are heavily loaded down with a backlog of work which past programs were unable to complete. So what is to be done? The most obvious answer is probably one of the best: reduce the number of diversions. Some of the road fund diversions are not strictly diversions at all for while they peel money away from the Road Use Tax Fund, they return it to one of the subsidiary funds at a later date, often earmarked for a particular kind of construction project, but a highway construction project none the less. But most of the diversions, especially the more recent ones, are direct diversions, taking money away from the road fund with little or no return. To save the road fund and Iowa's highways, these diversions should be eliminated. A list of these diversions and the amount of money they are predicted to strip away for FY95 are as follows:

Diversion	**Amount Diverted**
GAAP Account (Use Tax)	$35,680,000
AFIS (Use Tax)	200,000
Rural Revitalization (Use Tax)	4,000,000
Department of Inspections and Appeals (Use Tax)	920,000
Living Roadway Trust Fund	250,000
R.R. Grade Crossing Safety Fund	700,000
R.R. Surface Repair Fund	900,000
Drivers License Suspension Service	230,000
Department of Justice	200,000
Public Transit	7,140,000
Recreational Trails	1,000,000
State Highway Patrol	33,370,000
Department of Management	60,000
Department of Personnel	50,000
Total:	**$84,700,000**
Estimated Total Fifteen Year Savings*:	**$1,270,500,000**

**Fifteen years was chosen because all of the shortfalls discussed come from data provided by the twenty-year plan crafted by the IDOT. However, by FY95, one-fourth of this*

plan will already have been executed (in theory) and our concern then will be the remaining fifteen years.

The listing does not take into account the one-time off-the-tops, however each and every one of those should be eliminated as the road fund is not meant to be used as a source for private projects. The department cuts suggested here are for those departments not connected with highway construction work and who are receiving road funding for work they should be doing as a regular part of their jurisdiction of authority.

While it is freely admitted that this will not generate enough money to complete all of the work the Iowa Department of Transportation would like to achieve by 2009, it is a major step in the right direction -- not just because it frees up more money but because it would cause a shift in overall policy and redefine the interpretation of the restrictions on the road fund in a narrower vein, as it was prior to the 70s. After all, the entire future of Iowa's highway infrastructure comes down to a matter of public policy and the underlying theories behind that policy. Theories not only for the highway system, but for the future of the state economy, and which in turn means the people of Iowa as well. Many people talk of using the road money as investment money to make Iowa a better place to live. If so, what is wrong in investing in highways? Good highways mean more transportation, which means more economic interaction with the world, which means more markets for Iowa's rising exports, which of course means more revenue flowing into Iowa. If that is not one of the most beneficial ways to help the state, what could be?

Appendix

Appendix A
Major Diversions from the Road Use Tax Fund

This part of the appendix will examine the six major diversions or threatened diversions from the Road Use Tax Fund and the Use Tax. They have been centers of major public policy debates at the legislature in the last few years and also take out some of the largest sums of money from the road fund.

DIVERSION ONE: THE GAAP ACCOUNT

The beginning of the 1990s was a troubled time for state government finances and the start of a new and extremely heated policy debate at the legislature. With new changes in the state's accounting procedures taking place to bring the state books in line with standard accounting practices, the state abruptly found itself in debt. The Iowa Constitution prohibits the state to incur a debt over $250,000 which meant that immediate action had to be taken to bring the state's finances into a positive balance.

A number of swift reforms were attempted during the regular session of the legislature including across the board reductions in appropriations, creation of an expenditure limitation in order to build a cash reserve fund, a freeze on state hiring and a raise in the state sales tax of 1 cent. State accounting procedures were also altered to the more nationally recognized Generally Accepted Accounting Principles (GAAP). Unfortunately, while the near draconian budget adjustments managed to balance the state budget for the year, it failed to handle the overall problem of deficits appearing in future state budgets. The move to use GAAP in accounting methods would begin to reduce state deficits starting in FY94, and eventually would eliminate such deficits altogether. However, deficits already netted by the state plus deficits which would be incurred in the near term had given the state a considerable debt to pay off. A special fund, called the GAAP Account was set aside to receive funding for the special purpose of paying off the state debt which was incurred while GAAP reduced the annual deficit each year. Then the debate turned to how the GAAP Account was to be funded.

Obviously with the state under a budget crunch from the deficit reductions extra money for funding the GAAP Account was not easy to find. It was eventually settled that a temporary usage of 20% of the total §423.24 Use Tax on motor vehicles would be the best source of funding. Since the decision to use the use tax money was made during the second extraordinary session of the 1992 General Assembly, it would not impact the road fund until FY93. In a later move which cast suspicions of the supposedly "temporary" diversion of use tax for GAAP, the diversion of 20% was codified under §423.24, making the diversion permanent without any sort of sunset provision or reversion language meaning that even when GAAP was paid off, the diversions into the GAAP Account would continue to occur. The chart below shows the estimated losses to the road fund in this diversion:

Category	FY93	FY94	FY95	FY96	FY97
20% Use Tax	$24.78 32.19	35.68	36.56	35.99	

NOTE: Figures in millions of dollars. Numbers provided by the Legislative Fiscal Bureau.

Recent estimates are that the GAAP deficit problem will be taken care of during FY95 leaving the money flowing into the GAAP Account without a clear purpose. New debate has sprung up over the fate of this money. Some want it returned to the Road Use Tax Fund, others want to use it for such purposes as education or improvements to the state capitol building and still others want to use it for more general infrastructure needs. The issue will hopefully be resolved during the 1995 legislative session.

NOTE: Sources include the Code of Iowa 1993, Acts of the 75th General Assembly 1993, *the Iowa Legislative Fiscal Bureau and the Office of the Auditor of State.*

DIVERSION TWO: RURAL REVITALIZATION (ETHANOL INCENTIVE)

In 1992, the 74th General Assembly created the Ethanol Incentive Program. This program was aimed at giving state assistance to new in-state ethanol production plants as a way to give a boost to state agriculture. The program was designed to be financed out of the Renewable Fuel Fund, §159A.7, with revenue provided to that fund out of the §423.24 Use Tax imposed on motor vehicles, as directed under §159A.8. This draw off of road money comes on top of the special 1 cent exemption which ethanol and other agriculturally based fuels receive in Iowa. Despite claims made that ethanol production is important to the highway industry, it was not enough so that lawmakers could justify taking it out of the regular Road Use Tax Fund but diverted the money from the unprotected use tax. The statute diverted $4 million from the use tax annually to the Office of Renewable Fuels for the incentive program with the provision that all unused funds at the end of the fiscal year revert back into the Road Use Tax Fund. As it turned out, all of the money ended up reverting.

§159A.8, §§2, lists all of the qualifications an ethanol production plant must meet to be eligible to receive aid under this program, one of those qualifications being that the plant must be capable of producing at least 5 million gallons annually. As it turned out, not a single plant in Iowa could meet this qualification and therefore no plant was eligible to receive funding. With no funding going out of the account, all $4 million reverted to the road fund at the end of the fiscal year. Attempts to alter the minimum threshold of gallonage production in 1993 proved unsuccessful.

During the second session of the 75th General Assembly in 1994, the legislature passed House File 2078 which made a massive restructuring of the ethanol program under the veil of a new rural revitalization package. This program establishes state financial grants, guaranteed loans and subsidies for innovative products which would "increase utilization of agricultural commodities produced in Iowa". The program was placed under the direction of the Department of Economic Development which was to help rural facilities get started in the production of these

innovative new agricultural products or assist current production plants in the development of a new line of products, or new methods of production and process. The Department was also to grant financial assistance to plants producing renewable fuel, primarily ethanol although an emphasis is also put on the new soy-diesel fuel. The legislation also directs the Department to give special consideration to any plant which was also involved in the raising of cattle and hogs of at least 1,000 head (an odd provision since most people wealthy enough to own at least 1,000 head of cattle are not likely to need grant money all that badly. Since the purpose of the legislation was to "revitalize" rural Iowa, giving funds to those doing well runs contrary to the intentions of the bill drafters. This strikes many people as a state subsidy to wealthy cattle owners and corporate farmers).

The funding under the new program still comes from the motor vehicle use tax and remains at $4 million annually. But qualifications have changed. There is no sunset on the program (original sunset had been 1998), no reversion language for unused money, and most importantly, there was no minimum production threshold for ethanol plants (there was a cap of 10 million gallons, producers above which could not qualify). All a plant needed to do now was claim to have a production innovation or be producing ethanol and it was eligible to receive state aid, and of course it helped greatly to also happen to have a facility which was linked to a cattle operation of at least 1,000 head. Beyond this there is no real attempt to target parts of the rural economy which might truly need "revitalizing".

Regardless of whether or not the money is used or where it is used in the agricultural sector, it is a permanent loss now to the Road Use Tax Fund of $4 million annually beginning in FY95. None of this money will ever go into highway construction, maintenance or even supervision. The claim that subsidizing innovative new ways to produce ethanol is a tenuous claim to road money at best. Now the question should be asked is if $4 million is going to be enough for this sort of a program. What is to prevent lawmakers from coming back in later years and wanting more?

The great claim to road money tends to come from the connection between ethanol and its use as a motor fuel, or more accurately, its claim that it is a superior motor fuel and worth developing for reasons beyond the fact that it is a great benefit to state agriculture. The road fund has already suffered in the past through such reasoning when ethanol and other cereal based grain fuel received a lower excise tax rate than standard gasoline, an exemption of 1 cent. This exemption cost the state, according to the Highway User's Federation, approximately $4.62 million in FY91. A number surprisingly close to the same amount diverted annually from the road fund for a year to the Rural Revitalization Program. Many have claimed that in all fairness, if road money is to go to ethanol production, than ethanol users perhaps should make up the difference by paying the same amount in fuel taxes that users of gasoline do. Elimination of the 6 cent ethanol exemption on the national level would generate additional hundreds of millions to the Highway Trust Fund, a good portion of which would find its way back to Iowa.

As for ethanol itself as a superior fuel and a cleaner fuel, there is also debate. Agricultural and environmental groups point proudly to the directives made under the 1990 federal amendments to the Clean Air Act which directs that larger amounts of fuel produced for the nine smoggiest cities in the nation burn a reformulated gasoline containing at least 2% of an oxygenate (a type of mixture which, when burning, gives off an emission containing 2% oxygen). And

furthermore, that 30% of the fuels so reformulated be made from "renewable fuel" sources which include ethanol and other agricultural based products but does not include the clean burning fuel made from natural gas (also known as methyl tertiary butyl ether or MTBE). The arguments are that use of renewable fuels will cost less to produce and bring a cleaner emission. Actually, research has found that ethanol, when burned, does have a cleaner emission, but that this is grossly off set by its method of production and blending where greenhouse gas emissions become so high that they violate standards set by the Environmental Protection Agency, far beyond that of producing gasoline. This is at its worst during the summer months when hot temperature cause a higher degree of emission evaporation. Dr. James L. Sweeney, Professor and Chairman of the Department of Engineering-Economic Systems at Stanford University as well as the Director of the Energy Modeling Forum, Chairman of the Institute for Energy Studies and the Director of the Center for Economic Policy Research, in his paper titled "Evaluation of the EPA's Proposal for Renewable Oxygenates", published in May of 1994, states:

"During the summer months high ambient temperatures lead to evaporation emissions [in ethanol production] of volatile organized compounds (VOCs) that would exceed EPA allowable limits unless the blends were especially tailored to meet the evaporation emission limits. Use of ethanol as an oxygenate probably would be minimal during the summer months. The potential negative impacts of evaporative losses from ethanol would be avoided by the use of other oxygenates during the summer."

As for cost, ethanol has been found to actually cost more per gallon than other reformulated fuels and requires the most gasoline to be added into the mixture. As a result, the overall production capacity is more costly per gallon than other forms of oxygenates. On this matter, Dr. Sweeney writes:

"A smaller quantity of ethanol than of MTBE would be needed to attain the required oxygen content. But ethanol is more expensive than MTBE. The higher cost would offset the smaller required quantity, resulting in a cost increase of about 2.5 cents per gallon of reformulated gasoline. [These] cost increases would not necessarily show up at the gasoline pump, since ethanol currently receives a federal subsidy of $0.54 per gallon plus additional state subsidies in some states. Under the assumption that the federal subsidy remains 54 cents per gallon, then the additional costs would show up in terms of an increased federal deficit, a smaller Highway Trust Fund, or higher taxes. In any event, the additional costs of using ethanol-based reformulated gasoline ultimately would be borne by consumers of gasoline or taxpayers."

Another argument used by promoters of ethanol is that it would help make the United States less dependent on foreign nations from whom we import oil and which helps create a massive portion of our nation's trade deficit, and less at the mercy of those nations when they attempt to impose oil embargoes or raise prices drastically, as OPEC did in the 70s. Mr. Vito Stagliano, formerly with the U.S. Department of Energy and currently a visiting scholar with the organization Resources for the Future, in his paper "The Impact of a Proposed EPA Rule Mandating Renewable Oxygenates for Reformulated Gasoline: Questionable Energy Security, Environmental and Economic Benefits", published in February of 1994, writes:

"[Even] if U.S. oil imports were to be drastically reduced to a fraction of their present level of roughly 6 million barrels a day, the U.S. could not be insulated from disruptions in any part of the international oil market, nor from price fluctuations resulting from such disruptions. Rather, energy security is to a far greater degree a function of the geopolitical forces that shape the international oil market than of marginal policies to induce

reductions in imports. [U.S.] policies that have the aim of reducing oil imports by substitution of domestically subsidized fuels are inimical to broader U.S. security and trade interests. The United States obtains oil at market price from nations that are, with few exceptions, allies and trade partners. They include, in order of oil trade importance, Saudi Arabia, Venezuela, Canada, Mexico, Nigeria, Angola, Virgin Islands, United Kingdom, Algeria and Norway. The U.S. obtains approximately 25% of its oil imports from the Persian Gulf producers. [The] majority of U.S. oil suppliers are linked to the United States, to each other, and to other trading nations by bi-lateral and multi-lateral treaties that have the force of law. These obligations include respect for market competition and avoidance of artificial preferences for national products. Federal interventions to mandate market share for domestic fuels would expose the United States to indefensible charges of protectionism; the same practices that have exacerbated U.S. - Japan (and currently U.S. - Canadian) trade relations, and recent U.S. - European Community negotiations on the Uruguay round of (GATT) trade talks."

Other questions involving both Iowa policy and national policy on ethanol include the problems of exceptionally poor corn harvests. If we have become to dependent on ethanol, what would be the impact of such a catastrophic loss? If the harvests in Iowa were down significantly, would that bring agricultural advocates back to lawmakers asking for yet more road money?

NOTE: Sources include the Code of Iowa 1993, Acts of the 75th General Assembly 1993, *the Iowa Legislative Fiscal Bureau, the Highway Users Federation, Dr. James Sweeney of Stanford University, Mr. Vito Stagliano of Resources for the Future, and the Research Staff of the Iowa House of Representatives.*

DIVERSION THREE: UNDERGROUND STORAGE TANKS AND THE DIMINUTION FEE

The work on the clean up of leaking underground storage tanks, tanks which were deigned to hold petroleum below ground commonly found at most gas stations, started in Congress back in 1984 with the Hazardous and Soil Waste Amendments, supplemented in 1988 by a number of strict rules and regulations handed down by the Environmental Protection Agency which required massive replacement of tanks and systems to meet the new federal guidelines. Most of the burden on clean up costs and replacement of equipment fell on the owners of the tanks, most of whom were unable to get insurance to help defray the cost and as a result were driven out of business. To help business owners comply with federal regulations and to make sure that clean up actually occurred, lawmakers in 1989 chose to help subsidize clean up activities and insurance support with state money over a twenty year period.

It is estimated that the average tank costs about $100,000 to clean up, including the area surrounding the tank where petroleum had been spilled either during transfer of contents or due to tank leakage. Not all storage tanks and owners in Iowa were eligible to receive this assistance, only those sites which were reported to the Iowa Department of Natural Resources during the period of July 1, 1987 through May 5 1989. Approximately 1/3rd of all of the sites in the state in need of clean up were missed. Currently, there are 3,128 known sites whose owners have filed claims for help in clean up with the Department (that is sites of contamination, not number of owners, since many owners own multiple sites). Of these sites, 1,219 sites are estimated to belong to "large owners", that is owners who own at least 3 sites and/or 12 tanks. The other 1,909 sites belong to "small owners" who have less sites and tanks and generally are small businesses.

NOTE: These figures are for privately owned tanks only, they do not include government owned sites and tanks. Figures courtesy of the Legislative Fiscal Bureau.

Over the twenty year period, the cost of complete clean up subsidies paid by the state is estimated to be $336.56 million. Unfortunately, the revenue sources flowing into the clean up fund only come to an estimated net total of $202.875 million (that is a deficit of $134 million worth of funding the state has obligated itself to pay in some manner at some point). This shortfall is expected to grow with the eventual fund deficit rising to $180 million as administrative expenses continue to siphon off funds. Attempts to solve this problem have been many, from raising revenues to reclassifying various sites, to providing them with less coverage or place them for clean up later in the twenty year process so authorities might get to the "high risk" sites first.

The issue which then concerns us here is a portion of the funding for the comprehensive clean up program. The principle source of funding is through bonding and the revenues it generates. However, another one of the sources which funds much of the work involved as well as paying off the bonded debt is the §423.24, §§1, paragraph (a), diversion of motor vehicle use tax of no more than $15.3 million annually. This was taken as a guaranteed amount of funding for the program and replaced in the Road Use Tax Fund with a not so well guaranteed off set called the diminution fee found in §424.3 of the Code. The diminution fee was a charge placed on petroleum marketers and users as a penalty for the environmental hazard they had allegedly caused. The fee was based on the amount of petroleum "released" into the environment prior to its actual usage, and was charged each time petroleum was placed in the tank. Since it is difficult in the extreme to calculate how much petroleum was actually spilled, the charge is assessed on all deposits of petroleum made by multiplying the diminution rate (1/10%) by the volume of the deposit multiplied by the cost factor (an amount determined by the UST clean up board). In the end, this translated into about 1 cent per gallon and is estimated to generate around $15.3 million annually, the same amount taken from the use tax more or less. Due to constitutional restrictions on the use of motor fuel taxes, these revenues could not be taken directly for clean up but instead had to use this round about method of lifting use tax and then using the diminution fee as a replacement since the diminution fee will flow into the Road Use Tax Fund. However, nothing binds these two together in law and it remains possible to increase the amount of lifted use tax without an equal rise in the dimminution fee, or the dimminution fee can be reduced without a reduction in use tax diversions.

On a number of occasions the legislature has attempted to use more road money for the program, despite the vast administrative bloating which has been primarily responsible for sucking up most of the revenue generated through the original bonding. The program was supposed to have run twenty years at an estimated cost of $336.56 million. A $15.3 million diversion from use tax each year for twenty years is about $306 million. Additional revenue from the per tank fee would off set the balance, generating enough funding for the program. The administrative expense for contracting clean up work and the overall administrative costs have used such a large portion of the available revenue that the use tax is no longer enough to meet the targets and will fall over a hundred million short. Many have come to feel that before the legislature chooses to divert more road money, a restructuring needs to occur on the administrative side of the UST problem to allow for less red tape and more results.

NOTE: Sources include the Code of Iowa 1993, *the Iowa Legislative Fiscal Bureau, the Iowa Department of Natural Resources UST Board.*

DIVERSION FOUR: THE IOWA STATE HIGHWAY PATROL

Of all the diversions from the Road Use Tax Fund in recent years, perhaps no issue has generated as much controversy as the recent trends in funding the entire highway patrol out of the road fund. Uncodified, this takes place in the annual appropriations bill put out by the Appropriations Subcommittee on Transportation and Safety which has funded the patrol since the mid-80s. What has recently made this diversion such a hot topic is that the funding levels are rapidly increasing as lawmakers have continued to expand the size of the patrol and therefore expanding the amount of road money to be diverted. Another side of the debate has focused on using road money for some of the activities of the patrol which include the repair and relocation of a number of their headquarters, the funding of public awareness projects like the Drug Abuse Resistance Education (DARE) Program, or funding for the Automated Fingerprint Information System (AFIS) which includes both the state central unit and all of the local terminals. Total recent losses to the road fund from these diversions are charted below:

Category	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95
Highway Patrol	$16.60	18.60	18.30	21.10	20.00	23.13	25.06	28.04	31.57	32.15	32.70
Post Improve.	0.00	0.00	0.00	0.60	0.00	0.00	0.22	0.00	0.00	0.00	2.66
ADA* Improve.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30
Comm. Tower	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10
Patrol Radios	0.00	0.00	0.00	1.50	0.00	0.36	0.15	0.00	0.00	0.00	0.00
Radar & Scanners	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.40	0.15	0.00	0.00
AFIS	0.00	0.00	0.00	0.00	0.00	0.00	0.28	0.37	0.76	0.19	0.20

Total Road Money used by the Patrol since FY85: $275,650,000

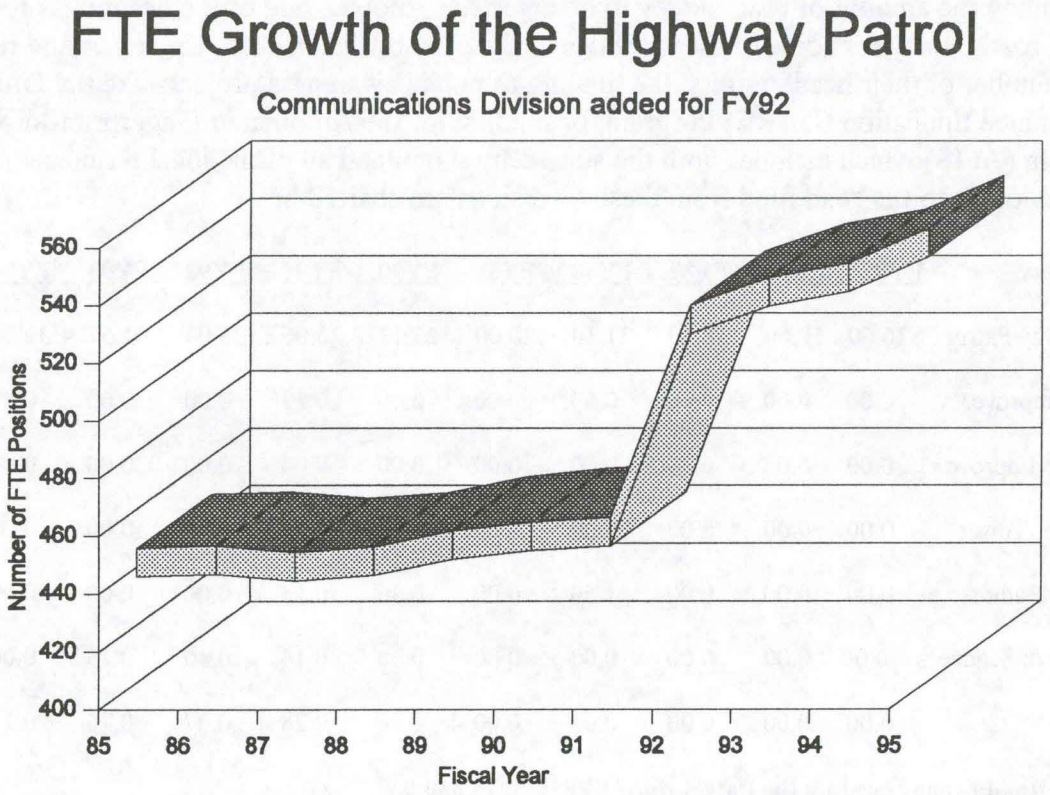
NOTE: Items like DARE are a part of the general amount listed for the patrol, the first line above. Figures provided by Legislative Fiscal Bureau. Below is shown a breakdown for FY94 of the above line "Highway Patrol":

* *Americans With Disabilities Act*

Category	Amount	FTEs	Number of Uniformed Officers
Administration	$1,481,585	540.5	426.0
Operations	25,592,279	23.0	17.0
DARE	115,309	4.0	4.0
Aircraft	148,000	0.0	0.0
Federal Planes	12,500	0.0	0.0 (this is a grant match)
Garage	459,042	10.0	2.0
MCSAP Program	75,544	5.0	5.0 (this is a grant match)
Communications	3,680,294	69.0	0.0
Fed. Hwy. Safety Grant	48,250	5.0	4.0 (this is a grant match)
Gov. Traffic Safety Bureau	49,088	9.5	0.0 (this is a grant match)
Total:	**31,661,891**	**540.5**	**426.0**

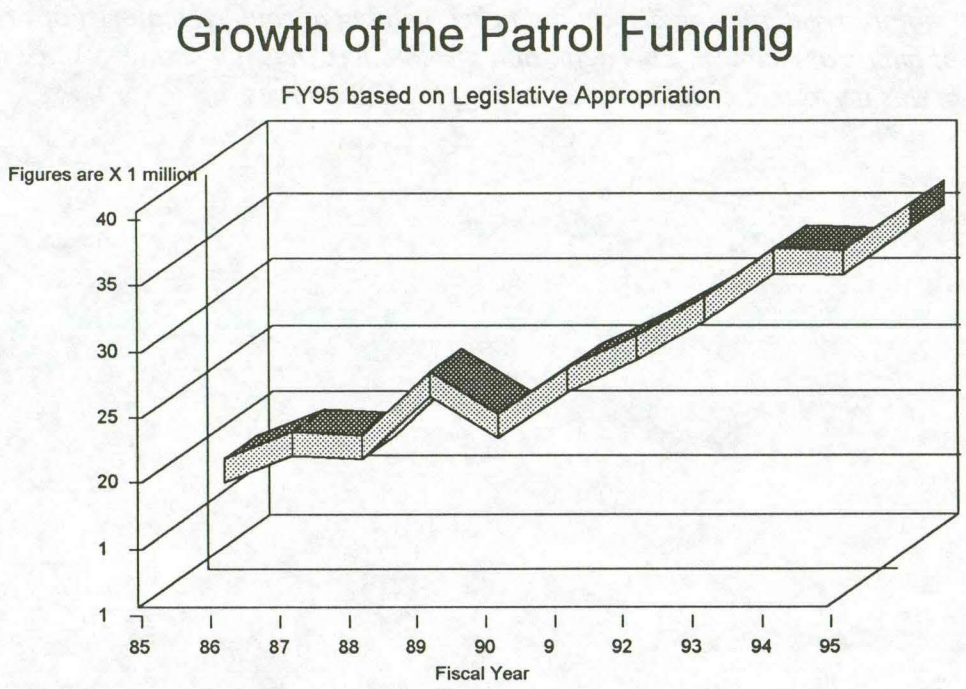
NOTE: Figures provided by the Iowa Department of Public Safety

The next few charts below and on the next page show the rising cost of the patrol from the Road Use Tax Fund as well as the Full Time Employee (FTE) growth versus the entire Net RUTF (after all off-the-tops are made) and total spending on highway contracts:



NOTE: On this FTE chart, one of the reasons that the growth was so dramatic around 1991 and 1992 was that the legislature chose to start fully funding the entire department instead of merely the uniformed troopers. This tossed in the entire patrol communications department.

The increasing size of the patrol itself has engendered some great controversy, especially over the claim that there is no reason for the constant increases in the patrol, despite the high public opinion regarding the fighting of crime. In truth, almost all forms of crime have been slowly decreasing in the state and the nation. The FBI this year found that serious crime in the nation had decreased 3% in 1993 from 1992, which was in turn down 3% from 1991. Iowa's crime rates have also continued to drop, to the point where Iowa was rated the third safest state in the nation in the "Crime State Rankings of 1994" put out by the Morgan Quinto Corporation. Experts estimate that much of the current crime hype is due to more television coverage for



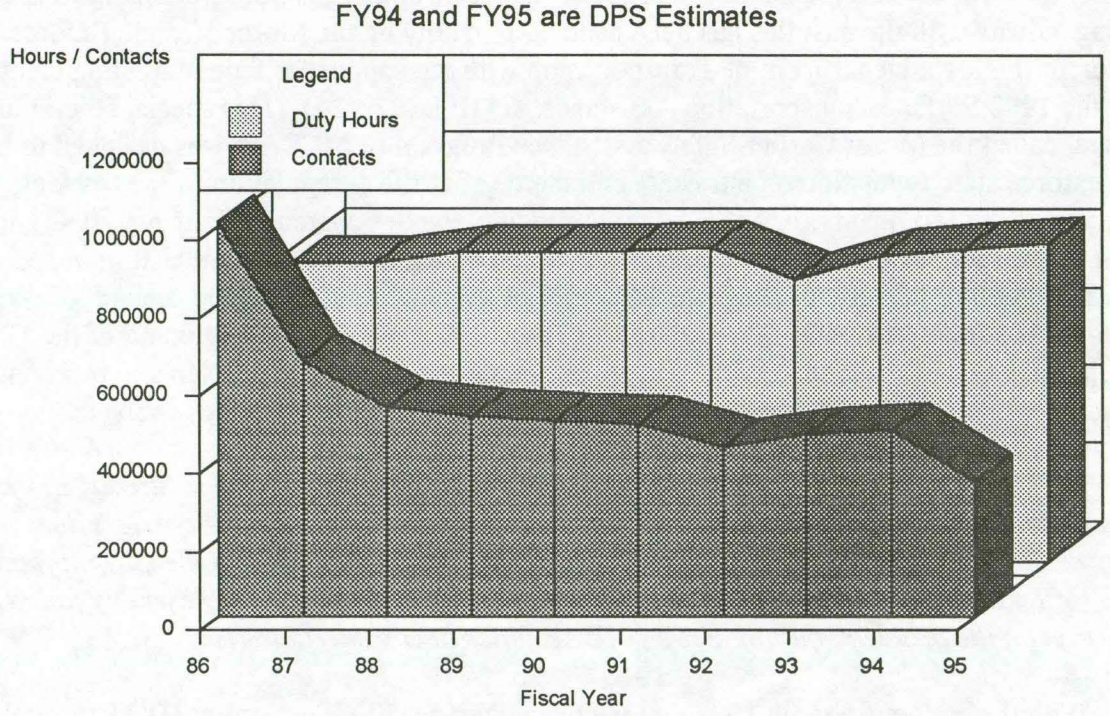
reasons of trying to increase ratings more than a rise in actual crime. The *Des Moines Register*, in a survey conducted through the month of February of 1994, printed on March 2 1994, found that out of the three major television news sources in the Des Moines area, 25% of all news stories centered on crime (accident coverage not included), by far the most coverage of any topic. Experts on media coverage attribute this entirely to the television competition for viewers and higher ratings.

More directly related to the duties of the highway patrol, the traffic fatality rate in Iowa, according to IDOT, has been declining steadily since the mid 1960s with 1993 being the safest year in state history with a fatality rate of 1.8 per 100 million miles (1966 was 6.3). The Federal

year in state history with a fatality rate of 1.8 per 100 million miles (1966 was 6.3). The Federal Highway Administration also reports that truck fatality rates are at an all time low nationally, down 34% from 1982 (down about 10% in Iowa from 1982). Much of the credit for this has been claimed by the patrol, despite the fact that they only constitute 432 (total patrol FTEs is 552.50) as opposed to the 3,796 full and part time police officers across the state. What is more revealing about the amount of work done by the patrol can be found in the performance evaluation which the Iowa Department of Public Safety, under which the Highway Patrol Division is located, submits to the Iowa Department of Management and which is published annually in the Budget in Brief. It lists the number of public contacts done by the patrol each year and also lists their number of hours on duty. The next page charts these two trends together.

NOTE: "Contacts" is defined by the Iowa Department of Public Safety to mean absolutely any time an officer on the road comes into contact with a member of the public. This can be in a major arrest, serving a speeding ticket, helping a troubled motorist or providing any other kind of public assistance. This definition of "contacts" has not changed since the beginning of this performance measure according to DPS sources.

Patrol Duty Hours v. Public Contacts



Patrol Duty Hours v. Public Contacts Data Chart

Category	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95
Duty Hours	767,737*	767,737	795,839	792,343	796,411	806,154	724,132	786,275	800,000	818,780
Total Contacts	1,011,936	654,506	538,875	513,445	503,080	494,694	437,333	467,624	480,000	347,270
Cont. per Hour	-	.85	.68	.65	.63	.61	.60	.59	.60	.42

The explanation given by the Department of Public Safety as to why the number of contacts by the patrol has been falling over the years is due to the patrol's own hard work. They cite the quality of the DARE program and other measures taken through their public awareness campaigns as the reason for recent reductions in OWI arrests, seat belt and speeding violations. This is admirable, but with the current number of troopers doing such an excellent job, there is little justification for the addition of more troopers on the road.

NOTE: Sources include the Iowa Department of Public Safety, the Iowa Legislative Fiscal Bureau, the Iowa Department of Management, the Federal Bureau of Investigation, the Des Moines Register, Acts of the General Assembly 1993, *the Federal Highway Administration, and the Iowa Department of Transportation.*

Addendum: The Highway Patrol and Federal MCSAP Funds

Another one of the reasons that the highway patrol claims to need new funding is that its duties have recently been expanded by doing more work in motor carrier enforcement, which primarily includes the enforcement of the special state laws and regulations pertaining to the trucking industry. In the past this has been handled primarily by the Motor Vehicle Enforcement Division of the Iowa Department of Transportation with the support of federal funding created under the 1982 Surface Transportation Assistance Act (P.L. 97-424). This special federal funding program, called the Motor Carrier Safety Assistance Program or MCSAP, was designed to help states enforce state regulation on intrastate commerce after the deregulation of the trucking industry in 1980. To qualify for MCSAP grant funding, the designated lead agency, IDOT in the case of Iowa, submits a State Enforcement Plan to the Federal Highway Administration and must show, among other things, that the state is capable of keeping up its matching funds (80%) over the long term for enforcement. Through most of the 1980's and into the beginning of the 1990's, IDOT participated in the system with success, providing their enforcement plan and receiving the necessary legislative funding to execute it and qualify for the additional federal money.

NOTE: It should be remembered that the MCSAP program in Iowa is already in trouble. Intrastate regulation dealing with the 100 mile radius exemption on private carriers does not comply close enough with federal guidelines and Iowa risks loosing 50% of the current funding. FHWA officials have told lawmakers of the problem, but the 75th General Assembly failed to take action on the problem, putting FY95 MCSAP funds at considerable risk.

With the budget freeze in 1992 and the beginning in staff reductions at IDOT through attrition, the Motor Carrier Enforcement Division was no longer able to sustain the necessary funding levels to participate in MCSAP and risked loosing all of the federal aid money. To prevent this from happening, FHWA officials approached the Highway Patrol about getting involved in the system as a partner to IDOT and taking over certain parts of the enforcement plan in return for a portion of the federal funds. The DPS commissioner agreed and with their help, the IDOT continued to receive MCSAP funding, a portion of which went to the patrol. With these extra responsibilities, despite their increased funding levels through their portion of MCSAP (about 20% of total MCSAP funding coming to Iowa or $272,650), the patrol used these as reasons for additional state funding for troopers and equipment. The new trooper salaries and equipment were to be paid for out of the Road Use Tax Fund as opposed to MCSAP raising questions as to where the MCSAP funding was going. MCSAP funds exist in the first place to provide additional help to the states in enforcement so the states can meet the higher levels without being forced to spend more of their own money, implying that patrol requests for more troopers from the legislature for enforcement is defeating the very purpose that MCSAP was created for in the first place. Instead, the patrol comes to the legislature annually asking for more troopers to help in enforcement on trucks, despite the statistics quoted above that truck accidents are significantly down.

At some point, the hiring freeze on state government will have to be lifted. At that time, Motor Vehicle Enforcement can bring in more personnel and receive enough funding to once more take over the complete enforcement as they were originally intended to do. At the very best, the patrol can only be said to be helping out IDOT during troubled times in the state budget and that when times become better (as they currently are), the need for the patrol in this program will end.

NOTE: Sources include the Federal Highway Administration, the Motor Vehicle Enforcement Division of the Iowa Department of Transportation, the Highway Patrol Division of the Iowa Department of Public Safety, the Surface Transportation Assistance Act (P.L. 97-424), the Intermodal Surface Transportation Efficiency Act (P.L. 102-240), the United States Code Annotated (Title 23), the Federal Register Vol. 59, and the Code of Federal Regulations (Title 49).

DIVERSION FIVE: THE HEARTLAND RAILROAD LOAN

While not a constant diversion of funding from the Road Use Tax Fund, the "loan" made from the RUTF to the Iowa Railway Finance Authority (IRFA) for railway acquisition stands today as one of the most overt abuses of road fund money. Road money was loaned out and a repayment schedule set, but to this date most of the balance remains outstanding and the funds set aside to repay the RUTF have, for all practical purposes, vanished from the books.

In 1983 the legislature found that it needed to give an additional boost to the Iowa Railway Finance Authority's Special Railroad and Reserve Fund. This fund under IRFA (in §327I.25) was designed to receive revenue generated from the railroad mileage tax and other rail oriented revenues and was to be used exclusively for the purchase and upgrade of rail lands, rights-of-way or paying the principle and interest on loans made through IRFA. In 1983, IRFA had been approached by the Heartland Corporation about the joint purchase of a portion of the Chicago, Rock Island and Pacific Rail Line (also known as the Iowa Interstate Railroad) which Heartland would eventually buy out IRFA's share. In an attempt to provide the large amount of money needed for this project, the legislature diverted $7.5 million out of the use tax to the special fund for that year and authorized the diversion of another $7.5 million the following year for a total loss of $15 million. Legislation directly indicated that this was to be considered an interest-free loan and that IRFA had to repay the money to the Road Use Tax Fund from the revenue Heartland used to buy out IRFA's share. In order to make sure Heartland complied, IRFA was directed to place a lien on the railroad right-of-way. The money was transferred, the right-of-way purchased, a lien placed and within a short space of time, Heartland purchased IRFA's share and the repayment to the RUTF began as planned. Before the terms were altered for FY88, after about $2.5 million of the money had been repaid.

In 1987, the legislature passed a statute which directed that the money scheduled to be paid back for FY88 and FY89 be instead diverted to the Railroad Assistance Fund, a fund separate from the Special Railroad and Facility Fund, *yet still be counted as part of the loan repayment*. In 1988, the legislature partially reversed this statute and reverted the FY89 payment to the RUTF, too late to stop the transfer of the FY88 revenue (approximately $800,000 to $900,000 in road money).

However, in 1988 the legislature did more than simply return the FY89 repayment money, it altered the terms of repayment. While all money was still to be directed back to the RUTF, IRFA was given thirty years in which to do it now, and in the meantime was free to use the money as it saw fit, providing that at the end of the thirty years all the balance would be returned. The intention was to allow IRFA to invest the money in various projects and use the return from those investments to pay off the balance down the road. The only stipulations on the way IRFA could use the money was that it could only invest in lines whose projected traffic was at least 50% agricultural in nature. At this time IRFA also began to receive money from a permanent diversion from the road fund of $2 million annually to help pay off debts despite the fact that IRFA was not even going to pay off its debt to the road fund for thirty years.

In 1991 a large number of trust funds were absorbed by the General Fund, one of which was the Special Railroad and Facility Fund where in were contained the road money from Heartland. The intent was to use the absorbed money to help balance the General Fund, the money from these trust funds would then be re-appropriated back out of the General Fund to their proper locations. Funding was re-appropriated back out to the Railway Finance Authority for its regular usage, but no money was every re-appropriated out in repayment of the debt to the Road Use Tax Fund. Since the trust fund money looses its identity when inside of the General Fund, the funds earmarked for repayment were also lost and have effectively vanished from the books. The trust funds were originally swallowed by the General Fund for a period of two years, but when the time came up in 1993, the legislature made the swallow permanent. The General Counsel of the Iowa Department of Transportation informed the legislature about the loan money but lawmakers took no action. Today it is virtually forgotten about even though there is approximately $12 million still outstanding.

NOTE: Sources for this information came from the Iowa Legislative Fiscal Bureau, the Code of Iowa 1981, 1983, 1987, 1989 and 1991, *the* Acts of the General Assembly 1980 - 1993, *Iowa Code Annotated and the Rail and Water Division of the Iowa Department of Transportation.*

DIVERSION SIX: PASSENGER RAIL SERVICE (AMTRAK)

The AMTRAK Authorization and Development Act legislation passed by Congress set aside a portion of funding available to states who became interested in establishing new passenger rail services through AMTRAK. Under this arrangement, AMTRAK would only incur a fraction of the expenses in the establishment of the rail lines and acquisition of right-of-way. The cost would be handled by the federal government through AMTRAK (30%) and the host state (70%). States would continue to supplement funding of the passenger rail service to make up for the funding which could not be recovered through ticket sales.

In 1992, the Iowa Legislature established a revolving fund into which would be deposited revenue to cover Iowa's share of establishing a rail service between Omaha, Rock Island and Chicago. It was planned as a joint project between Iowa, Nebraska and Illinois with the majority of the service occurring in Iowa. The legislature also attempted to provide revenue for this fund from the use tax, starting at $4 million the first year for start up costs and $2.5 million annually for ten years (a total of $29 million) to help AMTRAK make up shortfall in profits, assuming that afterwards AMTRAK would be well enough established to pay for itself or the legislature would have to revisit the issue. The funding legislation failed to pass in 1992 and again in 1993 and has

not resurfaced since. However, the revolving fund continues to exist with $10,000 inside from a private donation and the federal funding is still available and AMTRAK is still interested in establishing the service on lines owned by the Chicago and NorthWestern Transportation Company. It would be a diversion completely unrelated to highway construction, and as one of the worst abuses of the road fund, deserves some attention here.

Quite apart from the question of using road money for railroads, the AMTRAK proposal to Iowa is based on a number of extremely questionable assumptions which AMTRAK has failed to address through any sort of local market study (no bank on earth would loan money to an individual or a corporation which could not produce any facts to support its position). Nebraska and Illinois, the other partners in the investment have both refused to appropriate any funding for the project until Iowa does, showing that neither state feels the project is safe enough to risk being the one to step out first.

There are a variety of other problems with the system which AMTRAK has been unable to explain. AMTRAK has the option of funding up to 50% of the rail service, but has decided that it will only come up with 30%, forcing the three states to come up with more funding than it might have to if their were further negotiations and bargaining. Iowa will incur the greatest cost because it will have to purchase the right-of-way on the most rail line. AMTRAK hopes to be self-sufficient by the time the ten years of state subsidies runs out, and while it makes claims that ridership will be high, no study has been done. It also is important to know that of all the passenger rail services across the nation, only one or two short lines on the east coast between major metropolitan centers have ever turned any profit. The current passenger rail service in Iowa, the Zephyr route in the southeastern part of the state, has never once turned a profit. There is absolutely no evidence to support the idea that an Omaha-Chicago route can turn a profit, more likely the state will have to permanently subsidize the service as it does with urban mass transit. Estimations of a possible permanent subsidy for the service run at $1.3 million annually. Neither the state nor federal authorizations would help the five Iowa communities slated to be stops construct any form of platform station, a cost which is estimated to be at $529,000 without considering the long term maintenance cost. Even if AMTRAK every did turn a profit, Iowa would never see any of it, it all goes back to AMTRAK.

Total cost projected by AMTRAK for start up comes out at approximately $12.7 million, 70% of which is covered by the three states. AMTRAK would purchase the right-of-way on the rail lines owned by the Chicago and NorthWestern Transportation Company where freight trains currently run and would continue to run. The figure $12.7 million includes capital purchases of equipment ($10.8 million) as well as for the actual starting of the service ($1.9 million), but there is doubt that AMTRAK has taken all of the costs of start up into consideration. When the Iowa Department of Transportation, whose staff would be handling a large portion of this project, inquired to C&NW about these cost estimations, the railroad corporation was skeptical. C&NW ran a great portion of its freight traffic along the route planned by AMTRAK and since the freight trains run at a slower rate than the passenger trains, AMTRAK trains would often come up behind C&NW's freight carriers. C&NW was quite clear about not moving their freight trains over so AMTRAK trains could pass, which of course would wreck havoc with AMTRAK train schedules. In order to correct this, a special Centralized Traffic Control device would have to be installed which would cost $25 - $30 million as an additional start up cost. Also, all trains engines operating on the C&NW lines are required by the Federal Railroad Administration to possess a

special signal system called the Automatic Train Control System. The FRA has not signalled any willingness to exempt AMTRAK from this and AMTRAK would then be required to outfit all of their engines with this new system which would be about $35,000 per locomotive. C&NW also recommends additional signaling equipment be installed on both the engines and the track system which would cost yet an addition $20 million.

It has been asked if C&NW already has any locomotives it might sell to AMTRAK which have some of the above features. C&NW does not. In fact C&NW has no equipment at all it is able to sell to AMTRAK to help defray any of the start up costs.

This leaves us with a system which is almost certainly far more costly to start than AMTRAK has lead the legislature to believe. AMTRAK lines will receive the last priority on rail lines, a problem which can only be avoided by spending multi-millions of dollars. Iowa cities which are to receive the benefit of these services must foot the bill for station construction and maintenance, a lemon if AMTRAK fails in Iowa. Most importantly, there is no evidence that ridership will ever be high enough for AMTRAK to become self-supporting, more likely it will need a couple million from the state road fund for eternity. AMTRAK has not attempted to conduct any kind of market study to support its claims that it can become self-sufficient. The actual plan alone sucks out $29 million over ten years, a real problem when the state has proven to be so drastically short of badly needed road money over the next fifteen years of IDOT's twenty year plan. If our neighbor states, partners in this venture, are not convinced enough to put money for such a poor plan, why should Iowa want to rush in?

NOTE: Sources include the Iowa Department of Transportation, the Chicago and NorthWestern Transportation Corporation, the National Railroad Passenger Corporation, Acts of the 75th General Assembly 1993, *and the ATA Foundation.*

Appendix B
The Federal Highway Trust Fund

NOTE: This is a very brief and general look at what is an extremely complex issue. The Highway Trust Fund and its myriad of problems occupies the center of a public policy debate in many ways very similar to the debate surrounding the Road Use Tax Fund in Iowa.

In this discussion, unless otherwise noted, all information is provided either by the Federal Highway Administration, a division of the U.S. Department of Transportation, or the Congressional Research Service, the congressional service arm of the Library of Congress.

SECTION ONE: THE HIGHWAY TRUST FUND

This is the master federal trust fund containing revenues dedicated to transportation infrastructure including highway construction and maintenance, highway safety, planning and research on infrastructure and a variety of other needs. As a result of the expansion of transportation issues and competing industries and ideologies over the last few decades, the Highway Trust Fund has become the focus of a maelstrom of public policy fights over the use of the fund and the kind of funding needed for national horizontal infrastructure.

Creation of the Highway Trust Fund

In 1956, in the Federal-Aid Highway Act (Public Law 84-627), President Eisenhower and congressional leaders proposed the creation of a massive new highway program to be targeted at both the swift and efficient transportation of national products to markets across both the country and to ports-of-call to be shipped to the rapidly expanding world markets. It also was designed, as the nation descended into the worst of the Cold War years, as a means of rapidly transporting military equipment and troops around the nation at need. The new system of super highways was to be called the National Interstate and Defense Highway System and was one of the most visionary and expensive infrastructure programs in both U.S. and world history.

Funding of the new system became an issue of major debate in Congress, coming down to a contest between those who wanted to continue the older practices of debt financing the highways, those who wanted to impose massive interstate tolls and the victorious majority who chose a user oriented approach to funding. This included using revenue fees generated by both the transportation industry and private citizens who used the roads to help pay for the cost. This required a change in the motor fuel tax repository structure so that the revenue derived from this excise tax would never even come through the national treasury, but was collected by the Internal Revenue Service and placed directly in the newly created Highway Trust Fund. This straight processing rendered the trust fund an "off-budget" item since revenues never showed up on the regular budget balances. In 1968, however, it ceased to be an "off-budget" item and was incorporated into the full federal budget for purposes which will be discussed later. Other revenues brought into the fund included sales tax revenues on truck and tire sales as well as a use tax placed on vehicles and equipment.

Pay-as-You-Go and the Byrd Amendment

One of the novelties of the Highway Trust Fund was the way it was intended to function in relationship to the regular budgeting and appropriating process used by Congress. The fund was designed to reimburse states for expenses they incurred through construction and maintenance of the federal-aid highway system in each state. Each state was required to submit plans for proposed construction or improvement projects on designated federal-aid highways to the Federal Highway Administration (FHWA) for approval before federal reimbursement funds were pledged. Once that state plan was approved, the federal reimbursement money became obligated and would sit in the Highway Trust Fund until the project was complete and the state submitted the proper vouchers of payment to the FHWA for reimbursement. As a result, a state needed to know before plans could be developed how much money it would be eligible to receive from the federal government, though since the plan might take years to execute, it would be years before any federal money was actually received in that state. Therefore Congress, who still had control over how much money from the incoming revenue funds could actually be used any given year took up the practice of designating over a span of a five to six year cycle how much total funding would be allowed for various designated systems. The FHWA in the meantime would then establish various credit levels for each state over the cycle so a state might know how much total money would be available to it over the five or six years and could plan their construction and improvement projects accordingly. Spending authorization on the road systems, which in turn allowed the government to set state credit levels for reimbursement, was calculated from estimates of incoming revenue to the Highway Trust Fund over years to come.

The process of obligating federal funds to the states over a cycle of years and paying upon receipt of the state's expense vouchers became known as the "Pay-as-You-Go Plan". The intention was that the Highway Trust Fund would always have enough money in it, through the ability of long range planning, to reimburse the states immediately upon receipt of payment vouchers. There are, however, some problems which stem from this. All of the authorization levels set over the cycle by Congress are based on revenue *estimates*, which can turn out to be higher or lower in actual dollars than originally expected by budget offices. But in order to keep the states from being left completely hanging in case the highway account ran out of money, Congress decided that the Highway Trust Fund must always have enough money in the highway account to pay off the financial obligations to the various states. To enforce this concept, the Byrd Amendment was created (this was crafted by Senator Harry Byrd, Jr., and not by Senator Robert C. Byrd, a current sitting senator, as is often believed). This amendment placed into law the directive that the Highway Trust Fund must always retain a positive balance to meet its obligations to the states or there would have to be across the board reductions in the amount available to each until a balance was restored. This has become, however, a problem for both Congress and the bureaucracy because there is a great difficulty in predicting all of the incoming revenue to the trust fund in a five or six year cycle. However, in the important interest of long term planning, Congress is required to set long range spending authorizations despite the problem of not having accurate information on what highway user revenues might be like six years in the future, and this must be done in a way to make sure a positive balance is always kept and to make

sure the Byrd Amendment never kicks in. This is one of the reasons that when funds are actually released from the Highway Trust Fund to the highway account for use, they come in lower than the originally authorized levels of spending. This is a complicated operation which will be discussed below.

The Intermodal Surface Transportation Efficiency Act of 1991 and the Decay of National Horizontal Infrastructure

In 1991 Congress passed a landmark piece of transportation legislation which essentially declared the construction of the National Interstate and Defense Highway System to be complete. The Intermodal Surface Transportation Efficiency Act of 1991 (Public Law 102-240), also commonly referred to as ISTEA, turned to new horizons in national transportation policy, looking at more of a combination of product movement by different forms of transportation ("intermodal"). It also set forth new goals in maintaining the vast highway infrastructure the federal government had created over the century by not only promising support to current federal-aid highways, but by adding thousands of new miles of road to the federal-aid system.

NOTE: Since 1956, approximately 851,000 miles of federal-aid highway had been constructed and paved as well as around 18,000 bridges constructed along these same roads out of an estimated 3.9 million miles of roadways across the nation. In ISTEA the number of miles of federal-aid highways went up to about 920,000.

In this landmark legislation, Congress addressed the future of transportation infrastructure in the United States. Citing numerous problems with infrastructure upkeep and safety, Congress wrote ISTEA to address new ideas in surface transportation as well as the maintenance of the current system. It also re-authorized and upgraded the large number of safety grant programs which had been created over the years. There remained some consensus amongst lawmakers that the highway infrastructure, while declared more or less complete, is already in an advanced state of decay and in desperate need of replacement. This problem was recognized in the debate over ISTEA and congressional consensus on the issue can be found in the report issued by the U.S. House of Representatives, Committee on Public Works and Transportation, in House Report No. 102-171(I):

"Despite our long history of accomplishment in road-building, more than 60% of the miles of paved highways in the United States need some form of surface rehabilitation. According to the Department of Transportation, some 265,000 miles of highways were in poor condition in 1989, and about half of the nation's total highway miles were at or near the point at which vehicle operations would be impaired by deteriorating conditions. 35% of the Interstate System will have outlived its useful life in 1995, and the cost of maintaining the system could exceed the initial $120.5 billion cost of construction. [Currently], 39% of the nation's bridges are rated deficient, including one out of ever four of the 270,000 Federal-Aid Interstate, primary, secondary and urban bridges that carry 85% of the Nation's traffic. [Congestion] is a growing problem. Almost 70% of daily peak-hour travel on the urban interstate system in 1989 occurred under congested conditions. By the year 2005, traffic delays caused by inadequate roads will cost the Nation $50 billion a year in lost wages and wasted gasoline."

And in addressing the problem of repair, the same report said:

"These grim statistics reflect our failure as a nation to make the needed investment in our basic public facilities. Total public spending on infrastructure dropped from 3.6% of the GNP in 1960, to 2.6% in 1985. The relative share of public works spending at all levels of government declined from nearly 20% of total expenditures in 1950, to less than 7% in 1984. The Federal share of infrastructure spending has declined from 41% in 1981, to 34.5% in 1986. [At] the same time, productivity in the private sector has declined. The U.S. productivity growth rate fell from 1.8% annually in the 1960s to .7% during the early 1980s. This places our Nation's ability to compete internationally at risk, since our productivity is growing more slowly than in other developed countries. For example, West Germany has an impressive growth rate at 2.9% and in Japan, it is 3.1%. They invest almost twice as much in their public works as does the United States. [The] failure to improve our transportation system from its present state will by 1995, reduce the GNP by 3.2%, disposable income by 5.9%, employment by 2.2% and it will increase the Consumer Price Index by 8%."

These grim statistics are supplemented by other figures released by FHWA for 1991:

- 235,000 miles of pavement are rated poor or mediocre, requiring rehabilitation in the near future;
- 118,500 bridges are "structurally deficient", incapable of accommodating expected loads;
- Congestion caused over 8 billion hours of delay on interstate and other principle roads;
- Due to this congestion, about 3 billion gallons of fuel were wasted, appx. 4% of U.S. annual consumption;
- Annual cost of congestion in nation's top 50 cities was estimated to be over $39 billion;
- Assuming a 2.5% annual growth in travel, the estimated average annual cost to maintain 1991 condition and performance levels for highways and bridges through 2011 is estimated at $51.6 billion; and
- Average annual investment to repair the backlog of deficiencies is $67.3 billion, or an additional $15.7 billion per year over the "maintain" scenario.

Like Iowa, only on a larger scale, the problems with road revenues being inadequate for highway needs is a major concern without a clear answer. Also, like Iowa, a good deal of highway user money in the Highway Trust Fund is being used for non-highway construction purposes. And despite their apparent realization of these problems, a good deal of the funding authorized in the ISTEA was directed towards projects unrelated to highway construction. What is more, many congressmen were still looking at the trust fund as a means to help balance the federal budget and erase the deficit, a larger extension of what had happened in 1990 under the Omnibus Budget Reconciliation Act (OBRA) which raised the fuel tax by 5 cents and diverted half of the new revenue that generated to the General Fund for deficit reduction.

Expenditures from the Highway Trust Fund and the Underfunding Problem

Earlier in this section, the problem of actual funding not living up to authorized expectation was briefly addressed. At this point it will be necessary to take a better look at this problem and its impact on Iowa. As noted before, when the congressional policy committees drafted ISTEA, they set spending levels over a cycle of years, from FY92 through FY97. However, these policy committees do not have the power to actually transfer money from the Highway Trust Fund into the FHWA's highway account (the account from which the reimbursements actually take place) to fund the levels of spending they want to take place. The policy committee has the power to decide how the money will be spent, how much money will be

allowed but cannot actually arrange to have the money placed into the account for these restrictions to have any meaning. That power rests in the Appropriations Committee of both the House and Senate, with all appropriations legislation beginning in the House. Nor can the policy committee place any kind of obligation on the appropriations committee to fully fund the spending levels the policy committee has decided upon. The appropriations committee funds the spending levels on an annual basis instead of crafting a multi-year plan as the policy committee did in ISTEA. As it has turned out, the appropriations committee has chosen to not release enough funding from the Highway Trust Fund into the FHWA's highway account to fully fund any of the authorized spending levels so far, nor is it likely to through out the remainder of ISTEA's life. This has the effect of creating serious havoc with state construction planners who had originally constructed their state plans on the basis of authorized funding. In Iowa, IDOT planners had been crafting a five year highway construction plan until they understood that the actual amount of funding to be released would not be at the authorized levels, which in turn forced them to expand their plan out to a sixth year and putting their efforts further behind. The chart below shows the authorized levels of federal funding for Iowa as well as the obligation limits imposed by the congressional appropriations committee (figures in millions):

Category	FY92	FY93	FY94	FY95	FY96	FY97
Authorization	$171.50	212.65	214.19	214.19	214.19	214.19
Appropriations	$168.42	175.44	199.48	203.48	203.48	203.48

NOTE: Of course the appropriations for FY95-FY97 are only rough estimates since congressional appropriations committees have not decided on those fiscal years at this time.

There are two principle reasons for the appropriations committee to do this. The first deals with the Byrd Amendment, which is to prevent the Highway Trust Fund from ever having a negative balance. Since the appropriations committee cannot know what future revenues to the trust fund will be except for the roughest of estimates, they must in turn make the most conservative appropriations to keep off the Byrd Amendment across the board reduction mechanism. Such a reduction as the Byrd Amendment would bring would be extremely unpopular in the constituent districts of lawmakers. The possible upside of this might be that as the life of ISTEA reaches its end, and it begins to appear that trust fund balances will be as high as expected, the final appropriations from the trust fund to FHWA might be substantially larger.

The second reason why the appropriations committee might not wish to fully fund spending levels is that there is another incentive to keep a large balance in the Highway Trust Fund. Since 1968 the trust fund has been an "on-budget" item, meaning that when the entire federal budget is examined and the deficit calculated by the Congressional Budget Office, the Highway Trust Fund is included in that calculation. The fact that a considerable balance exists in the trust fund means that, when added to General Fund revenues, federal balances are higher than they would be otherwise. Since the Highway Trust Fund can never operate in deficit because of the Byrd Amendment, it therefore adds nothing to the total federal deficit. Since it adds then to total revenues and takes away nothing through a deficit, it has the net effect of making the entire federal revenue appear greater versus the deficit than might appear otherwise. However, since

trust fund money is not to be used for other portions of the entire budget, except for the 2.5 cents taken for deficit reduction, the Highway Trust Fund, in practice, does not help other portions of the budget off set themselves against the deficit. Thus, the ratio of revenues versus deficit in the federal budget, when including the Highway Trust Fund, shows a smaller federal deficit than it might otherwise. This also means that the federal deficit is actually worse than it appears on paper. Many in congress feel that in order to be truthful, the Highway Trust Fund should be taken back off-budget since it is entirely independent of the General Fund and the deficit problem anyway. However, the appropriations committee, which controls the fund and which also receives the most heat for having a high deficit, has no true incentive to take such action.

Unlike the appropriations committee, policy authorizing committees are not under these constraints and are free to allow high spending levels in their legislation which in turn look good to the constituent district and state as well as the nation and its policies.

SECTION TWO: IMPACT OF UNDERFUNDING AND DIVERSIONS OF HIGHWAY TRUST FUND MONEY ON THE NATION

While the impact of lack of funding and diversions on Iowa are the subject matter of the main body of this report, a moment should be spent considering the needs of the nation as a whole and the impact of diversions on the national level of highway infrastructure.

The Diversions Issue

Like Iowa's Road Use Tax Fund, the general theory behind the Highway Trust Fund was to create a revenue repository of highway user generated funds to be used for the sole purpose of financing the construction and maintenance of the nation's horizontal infrastructure. Unfortunately, like in Iowa, lawmakers have slowly been eroding this pure highway construction use of the funds by diverting them off for other, non-construction purposes. These programs involve multiple grants for various safety programs to the states, creation of bike and recreation trails, historical building restoration, and massive diversions of highway money for mass transit, which reached its height under the Surface Transportation Assistance Act of 1982 (P.L. 92-424). Mass transit, however, is not capable of generating sufficient revenue of its own. ISTEA greatly expanded many of these programs, diverting even more highway money which might have been used to help make up some of the difference in the disparity between construction authorizations and appropriations which proved so problematic for state road planners. Like Iowa, the federal government gives a special exemption on the fuel tax to gasohol and other agriculturally based fuels (6 cents per gallon) which cuts out a great deal of revenue which might be coming to the Highway Trust Fund (approximately $518.6 million lost for FY91 according to the Highway Users Federation). Today, the highway users and the Highway Trust Fund is still looked at as easy prey for those who want more money for other programs. The most recent attempt was the Omnibus Budget Reconcilation Act of 1993 (P.L. 103-66), the budget bill of President Clinton which would have drastically raised fuel taxes. Some lawmakers have proposed raising the national fuel tax by a whopping 50 cents per gallon, none of which would go to highway construction.

These trends have begun to greatly alarm those who understand the importance of a first rate horizontal infrastructure. In testimony before the House Subcommittee on Transportation, Thomas J. Donohue of the American Trucking Associations gave the following statement on March 15, 1990 during the ISTEA hearings:

"Diversions of Highway Trust Fund revenues to non-highway purposes seriously hampers this nation's ability to preserve its highway infrastructure. Since enactment of the Highway Trust Fund, a number of non-highway expenditures have been shifted to the Highway Trust Fund. This diversion includes: rail relocation expenses, bikeways, parking lots, ferryboat construction and various transit expenditures. At a time when the highway infrastructure has deteriorated significantly, continued diversion of Highway Trust Fund revenues to non-highway purposes is unjustified. In addition, efforts to increase fuel taxes for General Fund or other public purposes would have serious adverse impact on the states ability to increase fuel taxes for highway purposes."

The future of the Highway Trust Fund remains a source of major debate amongst lawmakers on Capitol Hill.

Impact on National Horizontal Infrastructure: The Experts Speak

Some of the expert economists quoted in the body of this work have also spoken on the subject of having a high quality national horizontal infrastructure. Foremost of these is Dr. Aschauer from the Federal Reserve Bank of Chicago:

"[Not] only has productivity growth fallen over time, but it has tumbled relative to the experience of our major international competitors as well. Indeed, I have uncovered striking evidence that the recent fall-off in public works spending is at the very core of the productivity shown."

Dr. Aschauer puts the blame for the decline in national productivity over the last couple of decades squarely on the back of the neglect for horizontal infrastructure. What is more, he finds there is a high value for the regional economy which is derived from the serious public investment in infrastructure. His fellow Federal Reserve Bank economist, Dr. Munnell, agrees:

"In summary, estimates of production functions based on pooled cross-section state data for the period 1970-1986 indicate that public capital contributes to private output. The coefficient on public capital implies that its marginal productivity is the same as that for private capital. [Moreover], the components of public capital that one would expect to enhance private output - namely, highways and streets, and water and sewer systems - are the ones that have the statistically important relationship; public buildings, such as schools and hospitals, appear to have no direct measurable impact."

And,

"Thus, public capital appears to stimulate private investment through its influence on the productivity of private capital. Given that private and public capital are substitutes, an increase in the stock of public capital, all else equal, will reduce the required level of private capital and private investment. [On] balance, the equation suggests that each additional dollar of public capital appears to increase investment by 45 cents. [The] evidence clearly indicated that public capital would be expected to stimulate private sector investment."

Since public investment appears exceptionally important to having a healthy economy, and since investment in horizontal infrastructure is lacking, how much funding should then be put into public infrastructure?

Clifford Wilson, a Senior Fellow at the Brookings Institute, in his article "Efficient Transportation Infrastructure Policy" published in the *Journal of Economic Perspectives*, cited an estimation from the Governor's Task Force which called for an outlay of $1 to $3 trillion over twenty years to save the highway infrastructure. He also wrote:

"If roads and airport systems are priced and invested in efficiently, then the long-run requisite increases in investment are quite modest, the system would be roughly self-financing in places where some congestion is optimal, and the federal budget deficit is reduced. Efficient infrastructure policy can also complement the beneficial effects that deregulation of the transportation industries has had on competition and firms' operations, and help to address the primary sources of current discontent with deregulation."

Dr. Aschauer writes:

"The categories of public capital bearing the most importance for private productivity turn out to be streets and highways and water and sewer systems; other public capital facilities have little or no explanatory power in private sector output regressions. [The] evidence appears to support overwhelmingly the proposal that investing in public infrastructure directly augments private sector production. Therefore, a valid case can be made for a significant increase in public investment spending."

And Dr. Munnell again writes:

"The conclusion is that those states that have invested more in infrastructure tend to have greater output, more private investment, and more employment growth. This evidence supports results found in earlier studies. The empirical work also seems to indicate that public investment comes before the pickup in economic activity and serves as a base."

Despite the words of economic analysts and scholars who have long studied this issue, the trends in the Highway Trust Fund tend to reflect those of Iowa's Road Use Tax Fund in that diversions are going to increase and there will be less money to spend in the future on maintaining a good solid horizontal infrastructure, despite the established need for one. Road projects will continue to be put off and the backlogs will continue to grow and both Iowans and Americans will have to reap the "benefits" sown by their elected officials.

Appendix C

THE ROAD USE TAX FUND: A YEAR BY YEAR LOOK AT ITS EVOLUTION

NOTE: This is not a comprehensive listing of the year-by-year changes in the policy surrounding the Road Use Tax Fund. Instead, these are an anthology of the most relevant changes in law which have had the most lasting effect or greatest impact on the current policy debates surrounding the road fund and related issues.

1939 - 48th General Assembly

- Passage of language creating the Farm-to-Market Road Fund in response to federal language.

- Passage of S.J.R. 1 which gives legislative approval, round one, to a Constitutional Amendment regarding road funds.

1941 - 49th General Assembly

- Passage of S.J.R. 1 which gives final approval, round two, to the Constitutional Amendment on road funds. This is approved by Governor Wilson and the people of Iowa in a public vote. Becomes Article VII, Section (8) of the Iowa Constitution.

1945 - 51st General Assembly

- Gas tax raise from 3 cents per gallon to 4 cents per gallon. The new cent is specifically directed as follows: 3/5 to the county secondary road fund, distributed by county area; 2/5 to the city Street Fund, distributed by city population at the last census.

- Language which amends the fuel excise tax distribution. The 3/9ths which went to the Iowa Highway Commission now added to the 2/9ths to the Primary Road Fund so that a full 5/9ths now goes to the Primary Road Fund. Commission will now receive entire funding from the Primary Road Fund.

1947 - 52nd General Assembly

- Passage of the 1944 Federal Highway Act creating the Highway Trust Fund and restricting non-matching funds to the states. In an attempt to meet this problem with new state revenue, the revenue collected from the Use Tax on motor vehicles, trailers and accessories under §423.24 is now transferred to the Primary Road Fund. This is directed to be used to match funds for the Primary Road System only.

- Allocation of Primary Road Funds to the counties to help relieve bonded debt reduced. Counties will not receive any Primary Road Funds for this purpose until they have clearly exhausted all other means through property tax levy first..

1949 - 53rd General Assembly

- Creation of the Road Use Tax Fund. This replaces the Primary Road Fund as the master fund for all road related revenues.

- Counties no longer receive 4/9ths of the fuel excise tax. It all goes into the Road Use Tax Fund.

- The original 3 cents of the fuel excise tax no longer divided between the Primary Road Fund (5/9ths) and the secondary road funds (4/9ths). All goes into the Road Use Tax Fund.

- State Treasurer directed to always have enough in the Road Use Tax Fund equal or greater than the allotment cost of the next month.

- Fuel excise tax extra cent now flows into the Road Use Tax Fund, not the 2/5ths to the city Street Fund and the 3/5ths to the county secondary road funds.

- The certified motor carrier compensation tax no longer to be divided between Highway Commission and the Primary Road Fund. Now all goes into he Road Use Tax Fund.

- All of the Use Tax received under §423.24 no longer directed into the Primary Road Fund, but to the Road Use Tax Fund.

1951 - 54th General Assembly

- State Park and Institutional Road system reclassified. Now to be funded out of the Primary Road Fund.

1953 - 55th General Assembly

- The excise tax on motor vehicle fuel raised from 4 cents to 5 cents, and the tax on motor vehicle fuel oil raised from 4 cents to 6 cents. The legislation made it only a temporary, two year increase, but it was renewed until made permanent by the legislature. The revenue arising from the new cent was placed only in the Primary Road Fund to be used to pave over primary roads which were still only gravel and crushed rock.

1955 - 56th General Assembly

- Rise in the motor vehicle fuel oil tax from 6 cents per gallon to 7 cents. The more recent three cents on this tax and the one cent on the fuel tax now to be deposited in the Primary Road Fund, but used not only for paving but for widening as well.

- §313.17 added which diverts $500,000 from the Primary Road Fund into a newly established Primary Road Contingent Fund for paying claims made against the Iowa Department of Transpotation.

1957 - 57th General Assembly

- Counties are once more allowed to raise a higher property tax levy to finance the secondary road fund.

1959 - 58th General Assembly

- First of the real road fund diversions. Language passed that requires the Treasurer of State, before making his monthly allotments from the Road Use Tax Fund to the required funds, must each month for two years, credit $10,000 to the newly formed Highway Grade Crossing Safety Fund. Over two years this would divert $240,000. This provision was never removed, though the amont to be diverted steadily went up over time.

- Another diversion. For a year and a half, 2% of the total revenue in the Road Use Tax Fund was to be diverted to the cities Street Fund. This diversion was not renewed, although it later returned in a different form.

- §313.4, §§2, added to allow an unspecified amount of revenue in the Primary Road Fund be earmarked for construction and maintenance of the State Park and Institutional Road network.

1961 - 59th General Assembly

- $15,000 from the Road Use Tax Fund for the biennium allotted to the State Comptroller to help defray the cost of the office for motor vehicle fuel refund warrants. This was to be renewed on a biannual basis.

- Off-the-top allotment from the Road Use Tax Fund for the Highway Grade Safety Crossing Fund made for the second half of the year 1961 (not fiscal year) before any other allotments are made. Comes to $60,000 for the biennium. Would also become, this session, a permanent part of §312.2.

- Another off-the-top: for the second half of the regular year 1961, before any other allocations are made, 2% allotted from the Road Use Tax Fund to the city Street Funds by city populations. Would also, this session, become a permanent part of §312.2.

- Alter §312.3, the subsection dealing with the 30% allotted to the county road funds. 40% of the received funds would be distributed by area to the counties while 60% would be distributed by the secondary road need in that county relative to the needs of other counties. Information on the state of each county's secondary road system would be on file with the Commission.

- Fuel tax permanently set at 6 cents per gallon instead of the biannual renewal of portions of it. The fuel oil 7 cents is reclassified as "special fuel" and made permanent. For the second half of 1961, 1 cent from both funds would flow into the Primary Road Fund for pavement of gravel primary roads. Another 1 cent would go to the Primary Road Fund for widening primary roads and their bridges. This makes permanent diversions being done biannually already.

- §422.62 on the Retail Sales Tax 10% to the Road Use Tax Fund altered so that only 10% of the 4th Quarter collection would go into the road fund, and that only after $425,000 allocated to the Motor Vehicle Registration division of the Department of Public Safety for administration. Again, this is making permanent a diversion done before.

1963 - 60th General Assembly

- Starting this session, the appropriation for the Iowa Highway Commission is broken down and analyzed by the legislature in its appropriations bill. The allotment to the Commission is broken down piece by piece for the first time.

1965 - 61st General Assembly

- The off-the-top allotment to the Highway Grade Safety Crossing Fund doubled from $120,000 to $240,000. Allotment to State Park and Institutional Roads raised from $500,000 to $1million

- Cap on using on 25% of the Primary Road Fund in §313.21 for extension into cities now raised to 35%. Corresponding corrections found in §313.36.

- The Primary Road Scenic and Improvement Fund established as §313.67. Administered by the commission to build rest areas and scenic beautification projects. Receives $100,000 for two years from the Retail Sales Tax 10%, fourth quarter, allotment before it is placed in the Road Use Tax Fund. Only directed here for the biennium. Later, federal funds matched by state funds from the Primary Road Fund authorized under §313.67 will fund this.

- Vehicle registration fees raised.

- Fuel tax increase from 6 cents to 7 cents. Special fuel tax raised from 7 cents to 8 cents. The new 1 cent from both funds is placed in the Primary Road Fund for road construction on primary roads which are not

interstates. Another 1/2 cent is lifted and placed in the Primary Road Fund for equalization between the primary roads of different counties. Corresponding language placed in §312.1.

1967 - 62nd General Assembly

- Biannual $15,000 from motor fuel taxes to the Comptroller for administration of the motor fuel collection and administration and refund warrants. In later years this will be adminsitered by the Department of Revenue and Finance, who receives the money from the same source.

- The Federal Highway Safety Act of 1966 made available funds to states who would create a highway safety program. The legislature directed the governor to establish such a program either under the Highway Commission or the Department of Public Safety, or both. Eventually it becomes entirely the responsability of the Department of Public Safety to administer a Highway Safety Program. This includes the USC §402 Motorcycle Safety Funds.

- Creation of the Highway Maintenance Revolving Fund and the Highway Materials Revolving Fund. For the former, $5,000 is appropriated from the Primary Road Fund for the biennium and for the latter, $100,000. Reversion language included. In later years, the appropriations into these revolving funds will be found in the IDOT Appropriations Bill instead of being found in statute.

- §313A.7 added which authorizes the Iowa Department of Transportation to make interest-free loans from the Primary Road Fund, in whatever amount is required, to finish the construction of toll bridges. The Primary Road Fund will then be paid back out of revenue collected by the toll bridge, although no time limit is set.

- §313A.12 added which authorizes the Iowa Department of Transportation to use Primary Road Fund money to help operate and maintain the part of the toll bridges located in Iowa.

1969 - 63rd General Assembly (1st Session)

- The Department of Public Safety directed to implement the Highway Safety Program and receive the federal funds under the Federal Highway Safety Act of 1966.

- Change made in the distribution of revenue from the motor fuel and special fuel tax. Previously, 6 cents on motor fuel and 7 cents on special fuel would flow into the Road Use Tax Fund while the other 1 cent from each would flow into the Primary Road Fund to be used for work on non-interstate roads and another 1/2 cent would be put into the Primary Road Fund for strict use on equalizing primary roads between counties. Now, a full 6 1/2 cents from the motor fuel and 7 1/2 cents from special fuel would flow into the Road Use Tax Fund and only the remaining 1/2 cent from each would move into the Primary Road Fund.

- A change in the §312.2 distribution formula:

  - Primary Road Fund: 47% (No Change)
  - Secondary Road Fund of Counties: 29% (Down 1%)
  - Farm-to-Market Road Fund: 9% (Down 1%)
  - City Street Funds: 15% (Up 2%)

- Change in §422.62 on the 10% of Fourth Quarter Retail Sales Tax allocation to the Road Use Tax Fund. Now only 10% of 2/3rd of funds collected Fourth Quarter would be so allocated.

1970 - 63rd General Assembly (2nd Session)

- Authorization added to §313.4 to no longer restrict Primary Road Fund money from being allotted to the county secondary road funds, Farm-to-Market Fund and street funds of the cities.

- §313.16 added which allows for diversions from the Primary Road Fund to the Iowa Department of Transportation to cover claims made against the Department when the legislature does not allot a specific amount to cover it in its annual budget bill.

1971 - 64th General Assembly (1st Session)

- §313.4, §§3, amended so that the Primary Road Fund will fund the salary increases for the Highway Commission employees who qualify under the merit system. This will also become regular part of the Commission biannual budget.

- Registration for motor vehicles raised from $1 to $2.

- Revenues raised by applying for Certificate of Title will now flow into the General Fund, not the Road Use Tax Fund. This will last until 1977 when the funds will flow back into the Road Use Tax Fund as directed by the 68th General Assembly.

- County Treasurers now may keep 75 cents of each registration they perform and $1 for every Use Tax payment made through that couny treasurer as authorized under §423.6, §§1.

- §312.2, §§6, added a diversion of "sufficient amount" to pay for the forms needed for county treasurers to issue certificates of title and vehicle registrations as well as funds for the materials needed for prison industries to manufacture license plates. Later referred to as the License Plate Fund.

1972 - 64th General Assembly (2nd Session)

- §312.2, §§5, allotment of $1million to the Primary Road Fund earmarked for the State Park and Institutional Roads increased to $1.400 million. This is strangely listed in §312.2, §§5 as an appropriation made to several listed code sections instead of funds or projects by name.

1973 - 65th General Assembly (1st Session)

- No longer will any §422.69 Retail Sales Tax flow into the Road Use Tax Fund.

- Funds in the Highway Grade Safety Crossing Fund will no longer revert at the end of the biennium unless they exceed $500,000 and then only the excess will revert.

1974 - 65th General Assembly (2nd Session)

- The Iowa Highway Commission is abolished and the Iowa Department of Transportation is created in its place. Also coming under the IDOT now is the Iowa Aeronautics Commission, the Iowa Reciprocity Board and the Iowa State Commerce Commission. Funding for the IDOT will come from a combination of the General Fund, the Road Use Tax Fund, the Primary Road Fund, the Aeronautics Fund and other smaller, related funds. The Primary Road Fund will continue to bear the principle burden.

- §312.2 amended with a new off-the-top appropriation. Before other allotments, the RUTF must pay "sufficient" funds monthly to the Motor Vehicle Registration division of the Department of Public Safety.

1975 - 66th General Assembly (1st Session)

- §312.2 amended so that the Highway Grade Safety Crossing Fund now received $500,000 and not merely $240,000.

1977 - 68th General Assembly (1st Session)

- First appropriations bill to contain Iowa Department of Transportation, Iowa Department of Public Safety, Iowa Department of Public Defense and the Iowa Law Enforcement Academy.

- §321.145, which lists the revenue on vehicle registration which do not go into the Road Use Tax Fund, is struck. Now fees raised on Certificates of Title and liens or encumbrances on notation fees will flow into the Road Use Tax Fund with the exception of the 75 cents per registration retained by the county treasurers. 3% to the General Fund and other diversions struck.

- §321.238, which had directed revenue raised by motor vehicle inspections and had gone into the Motor Vehicle Inspection Fund, amended so that the revenue flows into the Road Use Tax Fund. The Iowa Department of Transportation now pays the cost of holding hearings on license revocation and suspension which the fund had previously handled.

- §321F.11 on the Motor Vehicle Dealer's License Fee Fund is abolished. All of the revenues raised through dealer license fees and registration of vehicles to lease will now come to the Road Use Tax Fund. Iowa Department of Transportation will now administer the program out of its regular budget.

- §325.36 which raised fees through the certification of motor carriers and which had flown into the General Fund will now be in the Road Use Tax Fund.

- §327.9 which directs that motor carrier operators must pay a 5$ (6$ for operating using semi-trailers) fee to the Transportation Regulation Board for operating permits, amended so that this money flows into the Road Use Tax Fund and not the General Fund. Only truck tractors which haul other vehicles and not loads are exempt from this registration.

- §327A.19 which charges $5 on operation fees of liquid carriers and $15 on truck tractors, now also flows into the Road Use Tax Fund as opposed to the General Fund.

- §327B.3 - The Interstate Commerce Commission Operating Authority fees which carriers paid to the IDOT at $25 and had gone to the General Fund will now go to the Road Use Tax Fund.

- §324.3 which imposes the fuel tax on urban transit systems are exempted from the §324.35 tax on special fuels. This was made retroactive to July 1, 1975.

1978 - 67th General Assembly (2nd Session)

- §312.2 amended to create the Great River Road Fund. Treasurer allots to this as much as necessary from the Road Use Tax Fund which may come out of the shares to either the Primary Road Fund or the Farm-to-Market Road Fund (though not to exceed $5 million from either in one allotment or $7.5 million from both). These are no-interest loans through a revolving fund to road jurisdictions eligible under Department guidelines. The Department must wait ten years before insisting that all of the loan be repayed. Once repayed, funds will be credited back to the funds from which they came.

- §312.2 amended so that the $1.4 million from the Primary Road Fund to the State Park and Institutional Road Fund will increase to $1.45 million. State Park and Institutional Roads are not also understood to include the roads at state fair grounds. Authorization language included that directs that most of these funds should be put towards building and not planning. In particular, mandates the construction of the Hudson Road Improvement Project and the University of Northern Iowa. (See Below).

- The motor fuel tax exemption on fuel sold to state agencies is struck under §324.3 Agencies may, however, claim refunds if filed with in a year. This refund also applies to motor fuels purchased by political subdivisions. Also applies to the purchase of special fuel under §324.35.

- Amendments to §312.2 allocations:

    - Primary Road Fund: 45% (Down 2%)
    - Secondary Road Fund of the Counties: 28% (Down 1%)
    - Farm-to-Market Road Fund: 9% (No Change)
    - City Street Funds: 18% (Up 3%)

- §312.2, §§5, amended to include an additional $500,000 in off-the-top appropriation to the Highway Railroad Grade Crossing Surface Repair Fund.

- §312.2, §§5, altered so that instead of $1.4 million for the State Park and Institutional Road Fund off-the-top appropriation, now it will receive 65/100ths of 1% of all of the Road Use Tax Fund.

- §312.2, §§5, is a new allotment of $500,000 from the Primary Road Fund to the Iowa Department of Transportation to cover costs on the improvement of IDOT owned land when assessed by the counties or cities.

- The off-the-top in §312.2, §§6, which directs either $2.5 million or an amount equal to 1/9ths of the federal funds to be used for interstate construction, was stricken.

- §312.2 amended with new off-the-top in §§7. $7.1 million allotted from the Road Use Tax Fund to the Primary Road Fund.

- Starting on July 1, 1981, the county secondary road fund allotment will be reduced. Under statute, the counties may levy a property tax to fund the secondary road fund, and it is the intent of the legislature to put more responsibility in funding that road fund on the county. As a result, a county must make an estimate of how much it can raise annually under the property tax levy and if their real returns from the levy for the road fund do not come to at least 75%, then the secondary road fund allotment will be reduced by that much. If the county raises at least 75%, then the allotment will not change. This becomes §312.2, §§8.

- Off-the-top amendment to §312.2 of $500,000 to the Iowa Soil Conservation Department to help fund wind erosion barriers near the highways. This is under §§9 and will be later altered so that the diversion will go to the Living Roadway Trust Fund.

- Primary Road Fund usage is now authorized to also include work on roads and bridges on area school property.

- Raise on the excise tax on motor fuels from 7 cents per gallon to 8 1/2 cents for FY79 and 10 cents per gallon in FY80 and on. Motor fuels with a 10% agricultural product base are exempted from the excise tax until FY83. Special fuel under §324.34 excise tax is raised from 8 cents per gallon to 10 cents for FY79 and 11 1/2 cents for FY80 and on. Amendments to direct all excise tax revenue into the Road Use Tax Fund less the amount to the Department of Revenue.

1979 - 68th General Assembly (1st Session)

- Special fuel sold to the state and placed directly into a storage tank will be now exempted from the state sales tax.

1980 - 68th General Assembly (2nd Session)

- §312.2, §§12 (currently §§10), added which diverts $500,000 from the Road Use Tax Fund to the State Functional Classification Review Board under §306.6, §§6.

- Counties are now allowed to use the Farm-to-Market Road Fund under §309.10 as long as the funds are not otherwise obligated and do not exceed 50% of the annual Farm-to-Market fund allotment in that particular county. To be used for local secondary road fund construction. Also not allowed if the county has not raised at least 75% of its estimated potential in property taxes.

- A new off-the-top in §312.2 as §§13. Before other allotments, the Primary Road Fund will receive $4.4 million from the Road Use Tax Fund and $1.5 million to the Farm-to-Market Road Fund as compensation for allowing trucks to operate on them. This will later become §312.2, §§11.

- Registration fees rise again.

- Under §324.3, a 5 cent per gallon tax on gasohol is imposed. A blenders license and fee also established with revenues to flow into the Road Use Tax Fund.

1981 - 69th General Assembly (1st Session)

Extraordinary Session - 69th General Assembly (1st Session)

- §312.9 established restricting Road Use Tax Fund money from being paid to the Department of Public Safety for personnel.

- Fuel tax raised from 8 1/2 cents per gallon to 13 cents. On gasohol, tax is raised from 3 cents per gallon to 6 cents. On special fuel, rises from 11 1/2 cents to 15 1/2 cents.

- Creation of the Railway Finance Authority.

1982 - 69th General Assembly (2nd Session)

- A graded increase on gasohol per gallon:

    - FY82 - 6 cents per gallon
    - FY83 - 8 cents per gallon
    - FY84 - 10 cents per gallon
    - FY85 - 11 cents per gallon
    - FY86 - 12 cents per gallon

1983 - 70th General Assembly (1st Session)

- Sales tax increase from 3% to 4% which effects the Use Tax on motor vehicles.

- §312.2, §§5, amended so that the allotment to the Highway Grade Safety Crossing Fund, which had received $500,000 annually, now receives $700,000.

- The cost of paying for repairs to highway railway grade crossings is now broken down as follows:

  - 20% to be paid by the railroad company
  - 20% by the highway authority in jurisdiction
  - 60% paid from the Highway Railway Grade Crossing Surface Repair Fund

- §312.2, §§9, amended so that the money allotted from the Road Use Tax Fund to the Department of Soil Conservation for wind erosion control, which had been $500,000 is now reduced to $250,000 and can only be used to create barrier which are no more than 40 rods from the highway.

- §312.2, §§14, amended by a new off-the-top. This one directs $100,000 to the IDOT from the Road Use Tax Fund for the planting of trees and shrubs for wind erosion control. This will later be repealed and the section will be used for RISE.

- For FY84 and FY85, $15million diverted from the Use Tax to the Special Railway Facility Fund to help match private funds raised and administered by the Railway Finance Authority to acquire the right of way on the Chicago, Rock Island and Pacific Railroad. These are to be considered as no-interest loans and will be paid back to the Road Use Tax Fund by receipts coming into the special fund later.

- A provision added which would authorize the governor to cover all revenue shortfall in the General Fund with Use Tax money up to $12.5 million. This was item vetoed after the session by Governor Branstad.

1984 - 70th General Assembly (2nd Session)

- Creation of the Public Transit Assistance Fund under §601J.6.

- Creation of the public, urban and regional transit systems. These transit systems are exempt from the registration fees and certificate of title fees. They are also exempt from the fuel tax on motor fuel and special fuel.

- §312.2, §§15, is a new off-the-top. 25 cents of each title issued for the state and federal odometer laws will be credited to the Iowa Department of Transportation for administration of the system. This will later become §312.2, §§13.

- Registration fees rise from $2 to $10.

- §321.152 on registration fee distribution altered to allow the counties to keep more of the registration fees as follows:

  - 2.6% of the total collection on vehicle registrations and duplicates.
  - 20% on all fees from Certificate of Title
  - 40% of fees from providing copies of the Certificate of Title
  - 60% from fees for notations on security interests

- One time allotment from the Road Use Tax Fund to the Department of Public Safety for the Highway Patrol of $16.23 million for FY85. A second appropriation also included of $300,000 from the Road Use Tax Fund to the General Fund and over to the patrol.

- §312.2, §§5, amended so that the Highway Railway Grade Surface Crossing Repair Fund receives $900,000, up from $500,000.

- Registration fees on motor trucks and transit fees placed for FY85 in escrow to be held for a year before being placed in the Road Use Tax Fund.

- §307.37 authorizes the annual allocation from the Road Use Tax Fund in the budget bill to the Department of Justice to prosecute violators under the §321.71 Odometer Fraud Law.

1985 - 71st General Assembly (1st Session)

- §312.2, §§14, amended with a new off-the-top appropriating funds to the RISE (revitalize Iowa's sound economy) Fund.

- §312.2, §§15, amended with a new off-the-top by crediting 1/40th of all of the Use Tax to the Public Transit Assistance Fund.

- Fuel tax raised to 15 cents per gallon on motor fuel from July 1, 1985 to December 30, 1985 and then 16 cents per gallon starting in 1986. Gasohol tax rises to 14 cents per gallon for the second half of 1985 and to 15 cents starting in 1986. The special fuel tax rises from 16 cents per gallon in the second half of 1985 to 17 1/2 cents per gallon through 1986 and 18 1/2 cents per gallon starting in 1987.

- $18,064,000 from the Road Use Tax Fund to the General Fund to the Highway Patrol.

1986 - 71st General Assembly (2nd Session)

- §321.211 amended so that the funds needed to issue notices of hearings on license suspension will come out of the Road Use Tax Fund.

- §307.44 added which allows for the diversion from the Primary Road Fund of revenues for street highway projects as interest-free loans. These are to be repaid, although how and in what time frame is not stated.

1987 - 72nd General Assembly (1st Session)

- The Iowa Department of Transportation is directed to build welcome centers. There is no specification as to the allotment of money to be spent on this or what fund it is to come out of. Probably the Primary Road Fund.

- §312.2, §§16, is a new off-the-top allocation of 1/2% of the total Road Use Tax Fund revenue for the county, city and state safety improvement projects. Administered by the IDOT and includes reversion language.

- §312.2, §§17, is a new off-the-top for the Motorcycle Rider Education Fund from the §423.7 Use Tax equal to 1$ per motor cycle license registration revenue.

- $19.35 million from the Road Use Tax Fund to the Department of Public Safety for the patrol. This fiscal year starts a normal annual appropriation from the Road Use Tax Fund to the Highway Patrol in the regular IDOT and IDPS budget.

- $840,000 from the Road Use Tax Fund to the patrol on a one time appropriation for 409 vehicle repeaters and radios.

- Part of the Road Use Tax Fund now being used to fund part of the aeronautics division of the Iowa Department of Transportation.

- Of the money appropriated from the Use Tax to the Special Railway Facility Fund back in 1984 and 1985 for a total of $15 million, money now in that fund which was to be used to help repay the loan between FY88 and FY89 will instead be allotted to the Railway Assistance Fund. This will again be altered next year so that only the funds for FY88 will flow into the Railway Assistance Fund and the remaining funds are to be credited as before. By 1991, this will be altered again and lost completely.

1988

- Establishment of the Commercial and Industrial Network under the Primary Road Fund.

- §312.2, §§15, amended so that the Public Transit Assistance Fund will receive an account equal to 1/20th of the Use Tax instead of the 1/40th it had been receiving.

- Under §312.2, §§18, a new off-the-top out of the Use Tax of $1million to the Iowa Department of Transportation for constructing and maintaining recreational trails. No reversion here.

- Creation of the Living Roadway Trust Fund. This receives funds under new a new section, §314.20, between July 1, 1988 and March 31, 1990 to be distributed as follows:
  - Iowa Department of Transportation: 56%
  - The various counties: 30%
  - The cities: 14%

After April 1, 1990, this will receive funds and allocate to the IDOT, the counties and cities as is done under the Road Use Tax Fund distribution with the Department as the Primary Road Fund.

The need and plans for using this fund will be decided by the Iowa Department of Transportation and the Department of Natural Resources.

- For FY91, under §313.4 and for each year after, the Primary Road Fund will spend no less than $30 million on the Commercial and Industrial Highway Network.

- §314.20 created as the Utility Easement on Highway Right-of-Ways Section. Under this the Iowa Department of Transportation will charge for the use of right of way and all moneys raised under this will go to the Living Roadway Trust Fund.

- Truck registration fees are increased.

- Increase in the motor fuel tax under §324.3 as follows:
  January 1, 1986 - March 31, 1988: 16 cents per gallon
  April 1, 1988 - December 31, 1988: 18 cents per gallon
  January 1, 1989 into the future: 20 cents per gallon

  Gasohol tax also increases as follows:
  January 1, 1986 - March 31, 1988: 15 cents per gallon
  April 1, 1988 - December 31, 1988: 17 cents per gallon
  January 1, 1989 - June 30, 1992: 19 cents per gallon

  Special Fuel Tax incrases as follows:
  January 1, 1986 - March 31, 1988: 18 1/2 cents per gallon
  April 1, 1988 - December 31, 1988: 20 1/2 cents per gallon
  January 1, 1989 into the future: 22 1/2 cents per gallon
  (These sections will change in the 1993 Code to Chapter 452A. Motor Vehicle Fuel and Agricultural Based Fuel Excise Taxes will be under §452A.3 and Special Fuel under §452A.34).

- With the loss of a number of federal funds, the following one time allotments are made from the Road Use Tax Fund for FY89:
  - To the Primary Road Fund: $12,788,144

- With the loss of a number of federal funds, the following one time allotments are made from the Road Use Tax Fund for FY89:
    - To the Primary Road Fund: $12,788,144
    - To the Farm-to-Market Road Fund: $3,054,688
    - To the secondary road funds: $941,455
    - To the city street funds: $711,131

  For FY90:
    - To the Primary Road Fund: $20,932,000
    - To the Farm-to-Market Road Fund: $5,000,000
    - To the secondary road funds: $1,541,000
    - to the city street funds: $1,164,000

    (The diversion for FY90 will be repealed next year. See Below in 1989).

- The aviation fuel fees are restricted from flowing into the Road Use Tax Fund.

- The funds coming into the Special Railroad Facility Fund from private corporations are statutorily prevented from being credited back to the Road Use Tax Fund and instead are being held for at least thirty years and may be expended for other purposes as long as the loan is repaid at the end of this time.

- A new off-the-top placed under §307B.25 which diverts up to $2 million from the Use Tax to the Railway Finance Authority annually.

- §312.2, §§9, on Road Use Tax Fund appropriations to the Division of Soil Conservation in the Department of Agriculture reduced from $250,000 to $150,000. This will be altered to flow into the Living Roadway Trust Fund.

- The fees by requests for copies of abstracts on drivers records are raised to $5 for each request under §321A.3 is now allocated to the Abstract Fee Fund not to exceed $9.5 million. Excess to the General Fund.

1989 - 73rd General Assembly (1st Session)

- Major revisals and re-writings of the Iowa Petroleum Underground Storage Tank law for clean up of leaking tanks.

- §424.3, a new section which creates the Diminution Fee. The fee is assessed on tank fuel depositors and is equal to the total volume of fuel deposited multiplied by the diminution rate (1/10 of a percent) and multiplied then by the cost factor (the amount of diminution found by the board). The fund exists under §455G.3.

- County treasurers now keep $1 of revenue collected on the use of registered vehicles. This is up from 75 cents.

- §312.2 is amended on the basic Road Use Tax Fund distribution:
    - To the Primary Road Fund: 47 1/2% (up from 2 1/2%)
    - To the secondary road fund of the counties: 24 1/2% (Down 3 1/2%)
    - Farm-to-Market Road Fund: 8% (Down 1%)
    - City street funds: 20% (Up 2%)

- §312.2, §§14, on RISE amended. No longer will only 2/3rds of the indicated revenues flow into the fund, but all of the indicated revenues. The amount of revenue affected also changed to all of 1 11/20ths of a cent per gallon on the motor fuel and special fuel tax.

- §312.2, §§14A, added by crediting from the Road Use Tax Fund to the secondary road funds an amount equal to 19 cent per gallon worth of the fuel excise tax total on motor vehicle fuel and special fuel. Also, 9/20ths worth of the total collected on just the diesel fuel portion of the special fuel.

- §312.2 amended with a new §§19 in an off-the-top from the Road Use Tax Fund of $2 million to the county bridge construction fund. Also $500,000 to the city bridge construction fund.

- §312.2, §§9 and §12 amended to direct these diversions now into the Living Roadway Trust Fund.

- Legislative intent language placed that, except for money to county and city bridge construction funds, there will be no more off-the-top statutory allocations from the Road Use Tax Fund.

1990 - 73rd General Assembly (2nd Session)

- §423.24 on Use Tax amended so that 25% of all Use Tax, not to exceed $3 million per quarter, if allocated to the Iowa Petroleum Underground Storage Tank Fund.

- $279,800 from the Use Tax to the Department of Public Safety for the Automated Fingerprint Identification System (AFIS).

- §312.3 on county allotments changed: 70% given by need and 30% for area. The Farm-to-Market allocation system is changed to match this as well.

1991 - 74th General Assembly (1st Session)

- Gasohol references in the Code struck and replaced with "ethanol blended gasoline". The excise tax on gasohol under §324.3, §§3, retained at 19 cents per gallon on ethanol.

- Creation of the Office of Renewable Fuel under §159A.7.

- The excise tax on motor fuel had been scheduled to terminate in 1992 and return to an earlier level, but this date of termination is now put off until 2000. This includes ethanol fuel. There was not a termination date for special fuel.

- Additional charge placed on all Certificates of Title issued of $5. This new revenue will entirely flow into the General Fund.

- Under §321.152, county treasurers are now allowed to retain a greater portion of the funds they raise through motor vehicle registration and issuance of the Certificate of Title. On registration fees, they had previously been allowed to retain 2.6% of the total revenue their county raised and this is raised to 4.25%. On Certificates of Title, they had been able to keep 20% and now this is raised so that they may keep $2.50 for each issuance of a title.

- $1,000,000 from the Primary Road Fund to the Department of Transportation for their part of the underground storage tank clean up program.

- §312.2, §§21, added with a new off-the-top appropriation of $650,000 to the Department of Transportation to help provide county treasurers with the date processing equipment they need for motor vehicle registrations.

- §312.2, §§22, amended with a new off-the-top appropriation from the Use Tax for $750,000 to the Department of Transportation for the improvement and restoration of rail lines and branch lines. The projects are designated by the Railway Finance Authority, but these funds are under the control of the Transportation Commission and will only be expended if they are needed to match federal dollars or if the Authority's resources run to low to complete a listed project. Reversion language included. This is repealed the following year.

- A number of trust funds are placed inside of the general fund. These include the Public Transit Assistance Fund, §312.2, §§15, and the Motor Vehicle Fraud Account §312.2, §§15, both of which receive Road Use Tax Fund money (the latter through the Department of Justice). The appropriations to these funds are now done as allotments to the General Fund, which are then re-appropriated to these accounts. Also swallowed was the

Special Railroad Fund which finances the Railway Finance Authority under §327I.23 and which takes in money from the Use Tax and which now makes an allotment to the General Fund for this.

The 1991 Acts, Ch. 268, §508, §§3 places legislative intent language that even though these funds are placed in the General Fund, the money is to be used for no other purpose than to be re-appropriated to the proper funds and accounts.

1992 - 74th General Assembly (2nd Regular Session)

- Creation of the Ethanol Incentive Account under §159A.8. 3 1/2% of the remaining revenues of the Use Tax after the underground storage tank allotment, not to exceed $1 million per quarter, will flow into this fun. Reversion language included. This terminates at the end of FY98.

- Creation of the Passenger Rail Service Revolving Fund but no appropriations are made.

- Creation of the GAAP Account to be funded out of the General Fund.

- $247,471 from the Use Tax to the Department of Public Safety for building AFIS terminals in local areas. $509,378 from Use Tax to DPS for the continued purchase of AFIS.

- $277,662 from the Road Use Tax Fund for 5 pari-mutuel law enforcement agents.

- $1 million from the Primary Road Fund to the Department of Transportation for underground storage tank clean up.

- §312.2, §§15, amended so that the amount of Road Use Tax Fund allotted to the Public Transit Assistance Account is equal to 1/20th of all of the collected Use Tax under §423.7 and not just to the amount under §423.24 after the underground storage tank and ethanol allotments have been made.

- §321.152 which allows county treasurers to retain part of the vehicle registration fees is amended so that of the total fees collected by that county, the treasurer may only retain 4%, not 4.25%.

- The Act of the 1992 General Assembly which created and funded the Ethanol Incentive Program, is amended so that the Use Tax funds flowing into the fund are 3 1/2% now of the total available Use Tax under §423.24 and now merely 3 1/2% of the amount remaining after the underground storage tank allotments are made.

1992 - 74th General Assembly (2nd Extraordinary Session)

- Up to $2 million from the 80% of available Use Tax funds (under the new system devised this extraordinary session) may be credited to the Railway Finance Authority to be used to pay principle and interest on financial obligations.

- Increase in the state sales tax from 4% to 5% which impacts motor fuel fees.

- §423.24 amended so that the various allotment languages only encompass 80% of the available Use Tax. The remaining 20% will not be touched and fall under the directions of §423.24, §§2, which direct all remaining Use Tax funds into the General Fund. From there, these same funds will be re-appropriated into the GAAP Account until the debt is paid off. This will be codifed during the next legislative session.

1994 - 75th General Assembly (2nd Session)

- State Infrastructure Fund created as a repository for the 20% of Use Tax which had flown into the General Fund for GAAP. To be used when GAAP is complete.

- The Ethanol Incentive Program is abolished and replaced by the Rural Revitalization Account. This collects the same $1 million per fiscal quarter from the Use Tax but the threshold for use of the funds is lower and as a result, most will be used and not reverted.

- $67,500 from the Road Use Tax Fund to the Department of Transportation for the county drivers license consolidation program.

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