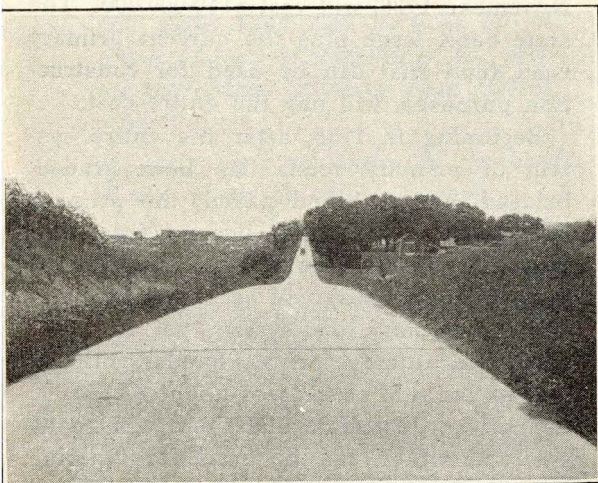


**Questions Asked by Taxpayers
Relative to the Proposed**

**STATE ROAD
BOND ISSUE**

**and Answers Prepared by the Iowa
Highway Commission**



Many questions are being asked relative to the proposed state bond issue. This pamphlet is prepared for the purpose of answering those questions most frequently submitted to the Commission for explanation.

IA. STATE HIGHWAY COMMISSION

By Carl C. Riepe, Chairman.

H. E. Dean,

H. A. Darting,

C. L. Niles,

T. J. O'Donnell,

Attest: Members of Commission.

F. R. White,

Chief Engineer.

No taxpayer in the state will pay any additional taxes because of the hundred million dollar state road bond issue. The primary road fund is sufficient to pay both interest and principal on the entire state bond issue. No citizen of Iowa who does not own and operate a motor vehicle will pay anything toward this hundred million dollar bond issue, or for the building of the primary road system.

To complete this entire system as of November 1928, will cost \$110,000,000. The state bond issue plus the current primary road fund that can be used for construction purposes, will pay the entire cost.

Beginning in 1935, after the entire system of primary roads has been graded, bridged, graveled and paved, the primary road fund (automobile license fees, and that part of the gasoline tax going to the primary road fund) will be ample to maintain the primary road system, pay the principal and interest on all bonds, with an average annual surplus of about \$2,862,000 which is a guarantee that there will be no tax, and which can be used for building other highways.

In studying this highway problem and the state bond issue the following facts should be considered.

1. *The policy of issuing bonds for primary road improvement is already adopted through the action of sixty-one counties in voting such bonds.*
2. *The state bond Act is a limitation and not an extension of the authority to issue primary road bonds.*
3. *The state bonds are substituted for, and not in addition to the county primary road bonds.*
4. *The state bonds will hasten the improvement of the primary road system.*
5. *The savings in the cost of operating traffic on the primary roads will more than pay the interest on the state bonds.*
6. *The state bond issue is a measure of economy.*
7. *There will be no property tax collected to pay the state bonds.*
8. *The state road bond Act limits the total state and county primary road indebtedness to \$100,000,000.*
9. *The state bond Act permits an increase of only \$39,000,000 in the present authorized primary road indebtedness.*
10. *The primary roads carry 80 per cent of the traffic on our highways.*
11. *The state bond issue will hasten the improvement of the secondary roads.*
12. *The entire cost will be paid by those who use the roads.*

QUESTION: What is the plan for the improvement of the primary road system under the state bond issue?

ANSWER: At the completion of the state bond issue program, 4,933 miles of the primary road system will be surfaced with pavement and the remaining 1,732 miles of the primary road system will be graded, bridged and surfaced with gravel.

QUESTION: How soon will this work be completed under the state bond issue?

ANSWER: In six years; that is, by the end of 1934.

QUESTION: How long will it take to complete this work if we do not have a state bond issue?

ANSWER: It will take sixteen years; that is, until the end of 1944.

QUESTION: Can more than one hundred million dollars in state bonds be issued; that is, if one hundred million dollars were issued and later ten million dollars paid, could another ten million be issued?

ANSWER: No. Under the bill only one hundred million dollars can ever be issued. (Section 3)

QUESTION: I am told that 61 counties have voted \$66,000,000 in county primary road bonds, and if we vote the state bond issue we will have \$166,000,000 indebtedness. Is this correct?

ANSWER: No. There cannot be a debt of more than one hundred million dollars in both county and state bonds.

QUESTION: How much will the state bond issue increase the primary road indebtedness?

ANSWER: By November 1928, the primary road indebtedness will be \$43,000,000. By November 1929, without the state bond issue, the primary road indebtedness will be \$61,000,000. Since the total

primary road indebtedness, under the state bond bill, cannot exceed \$100,000,000, the state bond bill will increase the primary road indebtedness only \$39,000,000.

QUESTION: I am told that state bonds will be substituted in lieu of the county primary road bonds. Is this correct? And how is it done?

ANSWER: (a) The issuance of the state bonds stops the issuance of county bonds.

(b) The issuance of any state bonds will cancel about \$19,000,000 of the county bonds that have been voted. Such bonds will never be issued.

(c) If the state bond issue is not adopted, then from 1929 to 1934 current primary road funds will be used largely for construction work. If the state bond issue is adopted, then from 1929 to 1934 current primary road funds will be used largely for the payment of county bonds; state bonds will be used for construction work. During this period, under the state bond issue, \$35,000,000 of county bonds will be paid off and retired, and \$35,000,000 of state bonds will have been issued which would not have been issued had it not been for county bonds. From the above it will be seen that approximately fifty-four million dollars of the one hundred million dollar state bonds will be substituted for a similar amount of county bonds.

QUESTION: You say that in November 1928, \$43,000,000 of county primary road bonds will be outstanding and that from 1929 to 1934 \$35,000,000 of these county bonds will be paid off and retired. Why do you not pay off the remaining \$8,000,000 of county bonds during this period?

ANSWER: Because this \$8,000,000 of county bonds were issued under a different law. They cannot be called in and paid until they become due, and they do not become due until after 1934.

QUESTION: You say that \$35,000,000 of the county primary road bonds will be called in and paid from the primary road fund. Why is it that state bonds are not issued and used to pay these county bonds?

ANSWER: The question was raised as to the constitutionality of issuing state bonds to pay county bonds, and, as it made absolutely no difference whatever whether these county primary bonds were paid with funds from the state bonds and construction work done with primary road funds, or, whether primary road funds were used to pay the county primary road bonds and construction work done with state bond funds, to avoid any possibility of a legal question, the bill provides for paying county bonds from the primary road fund, as is now being done.

QUESTION: Do I understand this correctly—that Section 3 limits absolutely the total debt that the state and counties can incur for primary roads to one hundred million dollars?

ANSWER: Yes.

QUESTION: That at the time the state bonds are voted, there will have been \$66,000,000 in county primary bonds actually voted, of which about \$47,000,000 have been issued and about \$4,000,000 have been paid, leaving \$43,000,000 outstanding, and \$19,000,000 still unissued?

ANSWER: Correct.

QUESTION: Can any county bonds be issued after the state bonds are voted?

ANSWER: Yes. After the voting of the state bonds and before any state bonds are actually issued, county bonds may be issued. But the issuance of such county bonds after the state bonds are voted cancels an equal amount of state bonds.

QUESTION: If the state bond issue is voted, what will it cost to complete the program outlined in the bill?

ANSWER: \$110,384,000.

QUESTION: How will it be paid?

ANSWER: By the sale of state bonds, and current primary road funds.

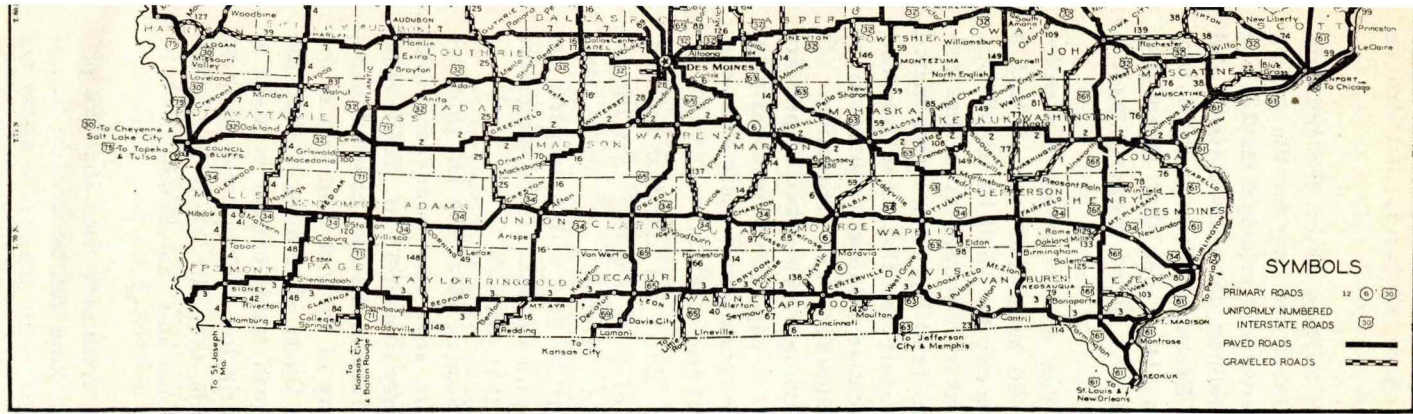
QUESTION: How will the state bonds be paid?

ANSWER: From the primary road fund. No one but the motor vehicle owner pays, and he will pay no more than he pays now. And he will pay just the same if the state bond issue is defeated.

QUESTION: What guarantee or assurance will the people in the counties that have voted bonds have that the bonds they voted will be paid?

ANSWER: Section 8 provides that sufficient money from the primary road fund be set aside for maintenance, and then specifically appropriates and dedicates the balance of the primary road fund for the payment, first, of all interest and principal on such county primary road bonds.

QUESTION: What assurance or guarantee have they that the bonds they issued will be called and paid prior to their maturity, and so relieve the county of this obligation?



SYMBOLS

- PRIMARY ROADS 12 (6) (36)
- UNIFORMLY NUMBERED INTERSTATE ROADS (30)
- PAVED ROADS ———
- GRAVELED ROADS - - - - -

ANSWER: Section 10 requires the calling and paying of all bonds that can be called in.

QUESTION: Section 12 of the bill provides a direct tax levy for the paying of all interest and principal on this one hundred million dollar bond issue, and says the Executive Council must levy such tax. Does not that mean that there will be a direct property tax collected?

ANSWER: You do not quote the entire Section. It says and means that a direct property tax shall be levied, but, provides that if money from the primary road fund has been appropriated and set apart for the same purpose, the Executive Council shall make proper allowance and reduction. If there is enough money in the primary road fund to pay the interest and principal of the state bonds there will never be a direct property tax.

QUESTION: But I am told that the constitution of Iowa requires that the interest and principal of these state bonds must be paid with a property tax and the primary road fund cannot be used for that purpose.

ANSWER: Section 14 of the bill provides that before any state bonds are sold, the attorney general of Iowa must bring an action in the courts testing the validity of the Act, and that if the Supreme Court should hold that the primary road funds cannot be used to pay the principal and interest on these state bonds, then the whole Act is unconstitutional and no bonds shall be issued.

QUESTION: Assuming then that the primary road fund can be used in lieu of a direct tax, why, then, is a direct tax levy provided for?

ANSWER: Because the constitution provides that no state bonds shall be voted unless such a provision is in the law.

QUESTION: But what guarantee or assurance have we that there will be enough money in the primary road fund each year to pay for these bonds and that no direct tax will be levied?

ANSWER: The law provides that enough money shall be set aside from the primary road fund to maintain the primary roads. The balance shall be used, first, to pay the principal and interest on all county primary road bonds, and, second, to pay the principal and interest on all state bonds. After setting aside enough to maintain the primary roads and to pay all principal and interest on county primary road bonds, there will be an average balance in the primary road fund, each year, amounting to \$10,212,000, based upon present receipts. The average annual amount necessary to pay both principal and interest on state bonds amounts to only \$7,350,000. There will be an average annual surplus of approximately \$2,862,000, or 39% in excess of the amount required. This amount is a guarantee that there will be no direct tax.

QUESTION: In these figures do you consider the amount received as federal aid?

ANSWER: No. Federal aid is not considered in these figures.

QUESTION: How much money does Iowa receive each year as federal aid?

ANSWER: About \$2,045,000 a year.

QUESTION: If the government discontinues appropriating federal aid, what effect will this have on the payment of the state bonds?

ANSWER: None whatever.

QUESTION: Are there any federal aid funds included in the estimates under the state bond program?

ANSWER: Yes. During the six year construction period, 1929 to 1934, federal aid is included in the estimates of funds available.

QUESTION: What assurance do we have that the federal aid fund will be continued during this six years?

ANSWER: Federal aid for the year of 1929 is provided under the existing law. Funds for the years of 1930 and 1931 are provided in a bill which has passed the United States Senate and is now (April, 1928) pending in the House of Representatives, with every prospect of its adoption. There is every reason to believe that federal aid will be continued for the three remaining years of the construction period and a number of years thereafter.

QUESTION: What would happen if the gas tax is declared illegal as was done in Illinois?

ANSWER: The Illinois Court decision on the gas tax law has nothing whatever to do with the Iowa gas tax law. In Illinois their Supreme Court held that the gas tax bill was improperly drawn. Justice Thompson, who wrote the Illinois gas tax decision, said, "There is no reason why a gasoline tax law should not be enacted that would be held valid". In this connection, in fourteen states gas tax laws have been upheld by their Supreme Courts. In three cases appeals were made to the United States Supreme Court, and the law was upheld. Forty-six states now have gas tax laws. No one seriously questions the validity of such laws, or doubts

that if there were an error in our gas tax law but that the legislature could immediately correct same.

QUESTION: Can any future legislature reduce the auto license fee or gas tax going to the primary road fund, or could they divert such fund to any other purpose while any of the state bonds are outstanding?

ANSWER: No. Section 13 prevents any future legislature from reducing this fund or using it for any other purpose.

QUESTION: The interest on the one hundred million dollar bond issue, I am told, will amount to \$56,731,000. This is more than one-half of the principal. Is it not extravagance to issue bonds and pay such a tremendous amount of interest?

ANSWER: It is not extravagance, but is, in fact, an economy to pay this interest charge. The total interest on the state bond issue at 4%, which is the maximum rate permitted under the state bond Act, is \$56,731,000. But, under the state bond Act, the primary road system will be completed ten years sooner than it could be completed without the state bonds. Due to this earlier completion of the primary road system, the motor owners of Iowa, who pay the entire cost, will be saved at least \$70,000,000 in the cost of operating their motor vehicles. Thus, by investing fifty-six million dollars in interest, over a period of 25 years, the motor owners of Iowa will not only get their interest money back but will get approximately fourteen million dollars additional as a profit.

QUESTION: If the state bond issue is defeated, how will it affect primary road work?

ANSWER: The completion of the primary road system would be delayed ten years. However, in 1929, there would be \$19,000,000 issued in county primary road bonds, now authorized, and this amount would be expended in the counties that issued the bonds. In addition, that part of the primary road fund not used for maintenance, for paying refunds for special assessments, bridges, culverts, right of ways, interest and principal on county primary road bonds, would be used for construction. After 1929 the construction work on the primary road system would amount to only about \$5,000,000 per year.

QUESTION: In what counties would this money be spent?

ANSWER: Most of it, no doubt, in counties that do not have their primary roads graded and graveled, and in counties that have voted bonds.

QUESTION: Will counties that now have their primary roads all graveled receive any substantial part of the construction fund?

ANSWER: It is very doubtful that they would, because the present law directs the highway commission to bring those sections of the state whose primary roads are not graded and graveled, up to an equality with the more advanced sections.

QUESTION: Does the state bond issue give any advantage to any section of the state over another?

ANSWER: No. Every county in the state and every section of the state will be on an equal footing. Construction work will be done in all parts of the state.

QUESTION: If the state bond issue is voted by the people, will it take any money from the county or township roads?

ANSWER: No. The voting of the state bond issue will take no funds away from the county and township roads.

QUESTION: Will it retard or delay the completion of the secondary roads?

ANSWER: No.

QUESTION: Do the people in the cities and towns now pay anything toward the county and township roads?

ANSWER: Yes. The people of the cities and towns pay more than one-half of the 1 1/3c gas tax that goes to the secondary roads. Also, the people of the cities and towns pay direct property taxes for the improvement and maintenance of secondary roads.

QUESTION: Are the books and accounts of the Highway Commission, which has the spending of all this money, properly checked and audited by the state?

ANSWER: The state board of audit has a competent employee located at Ames, who checks and audits every claim before it is paid. In addition, the Budget Director makes a complete check and audit of the business of the Highway Commission once each year by certified public accountants. In addition, the Governor of the state has authority to have the work investigated, checked and audited at any time.

QUESTION: How much of this \$110,000,-000 to be expended in building these highways will be spent for labor?

ANSWER: About 60% of the total cost of constructing these roads goes for labor. In addition to the labor employed in

the actual operation of building the highways, there is the labor required in the manufacturing of cement, in the production of sand, gravel and stone entering into the work, and in the production of coal consumed in the manufacture of cement. Also there is the labor involved in the railroad shipment of these materials; in the manufacture of machinery, repairs and upkeep thereof. Practically every item used in the building of these highways is produced in the state of Iowa.

QUESTION: What part of the Primary Road Fund (from which it is proposed to pay the State Bond Issue) will be paid by the city man?

ANSWER: Fifty-five per cent of all motor vehicles in the state are owned by the people living in the cities and towns. Cars owned in the cities average larger than the cars owned in the country. A larger percentage of the trucks of the state are owned in the cities and towns. From these facts it is estimated that at least 60 per cent of the entire primary road fund is paid by the people living in the cities and towns.

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