

# TRANSPORTATION FUNDING OVERVIEW

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2015 WTBA



# Summary

- 2015 Iowa Funding Increase
- Key Steps

# Iowa Recent Funding History

- Road Use Tax Fund (RUTF) Committee
  - First meeting January 9, 2002
  - “Evaluation of the State Highway System and Road Use Tax Fund (RUTF) Road Use Tax Fund” – November 2002
  - Legislative Implementation (SF 451) 2003
- 2006 RUTF Study – December 29, 2006
- TIME-21 Policy Bill (HF 932) – May 25, 2007
- Legislative interim committee - 2007
- Legislative Public Outreach – Spring 2007
- Legislative Public Outreach – February 2008
- TIME-21 Funding Bill (SF 2420) – April 22, 2008
- TIME-21 Funding Analysis – December 2008
- Governor’s Transportation 2020 Citizen Advisory Commission – November 2011
- 2011 RUTF Study – December 2011
- 2012 RUTF Efficiency Report – January 2012
- 2012 RUTF User Fee Analysis – October 2012
- SENATE FILE 257!

# Status – Senate File 257

- Passed by Senate and House on February 24, 2015
- Signed by Governor Branstad on February 25, 2015
- Fuel tax increases took effect on March 1, 2015
- Additional fuel tax changes took effect on July 1, 2015

# Key Provisions - Funding

- Effective March 1, 2015
  - Variable tax rate for ethanol-blended fuels extended until June 30, 2020.
  - 10 cent per gallon (cpg) fuel tax increase
    - Gasoline (21 cpg to 31 cpg)
    - Ethanol-blended gasoline (19 cpg to 29 cpg)
    - Taxable diesel fuel (22.5 cpg to 32.5 cpg)
    - Liquefied Petroleum Gas (20 cpg to 30 cpg)
    - Compressed Natural Gas (21 cpg to 31 cpg)
    - Liquefied Natural Gas (22.5 cpg to 32.5 cpg)
  - Jet fuel tax increases 2 cpg (3 cpg to 5 cpg)

# Key Provisions – Funding (cont.)

- Effective July 1, 2015
  - Variable tax rate for diesel fuel established
    - Varies based on share of all diesel fuel sales that are biodiesel at 11 percent or greater blends (B-11+)
    - At less than 50 percent share:
      - B-11+: 29.5 cpg
      - All other taxable diesel: 32.5 cpg
  - Variable tax rate for gasoline and gasohol changes (UNRELATED TO SF 257)
    - Due to ethanol blended fuel market share moving above 75 percent in CY 2014.
    - Gasoline (31 cpg to 30.8 cpg)
    - Ethanol-blended gasoline (29 cpg to 29.3 cpg)

# Key Provisions – Funding (cont.)

- Effective January 1, 2016
  - Increases to some oversize/overweight permit fees
    - Annual Permit (from \$25 to \$50)
    - Annual with Weight Permit (from \$300 to \$400)
    - Single-Trip Permit (from \$10 to \$35)
    - All Systems Permit (from \$120 to \$160)

# Key Provisions – Other

- County road funds from the state cannot be used to service new debt if the terms exceed the useful life of the asset being improved.
- Legislative interim committee appointed to review variable tax rate formulas.
  - First review is due January 1, 2020
  - Subsequent reviews every six years
- Intent
  - 100 percent of additional funding goes to critical road and bridge projects.
  - DOT shall identify additional projects in the Program.
  - DOT will identify \$10 million of efficiencies for FY 2016 and another \$10 million for FY 2017 and document in RUTF Efficiency Report to the legislature.



# Revenue estimate – FY 2016

- Fuel tax increase: Approximately \$213 million
  - Deposited into the Road Use Tax Fund (RUTF)
    - DOT: 47.5 percent (\$101 million)
    - County
      - Secondary Road Fund: 24.5 percent (\$52 million)
      - Farm-to-Market Fund: 8 percent (\$17 million)
    - City: 20 percent (\$43 million)
- Oversize/overweight permit fee increase: Approximately \$1.5 million (half of a year)
  - Almost all deposited into the Primary Road Fund
  - Very small amount deposited into the RUTF
- Jet fuel tax increase: Approximately \$765,000
  - Deposited into the Aviation Trust Fund

# Key Steps Part 1

- November 2012 Governor accepts CAC report
- Requests Department find \$50 Million in Efficiencies
- January 2012, DOT Submits first of what will be ongoing RUTF Efficiency report
- May 2013 Governor asks DOT to review Transportation Revenue Options – Fall 2013 Conduct 51+ meetings

# Matrix of Illustrative Surface Transportation Revenue Options

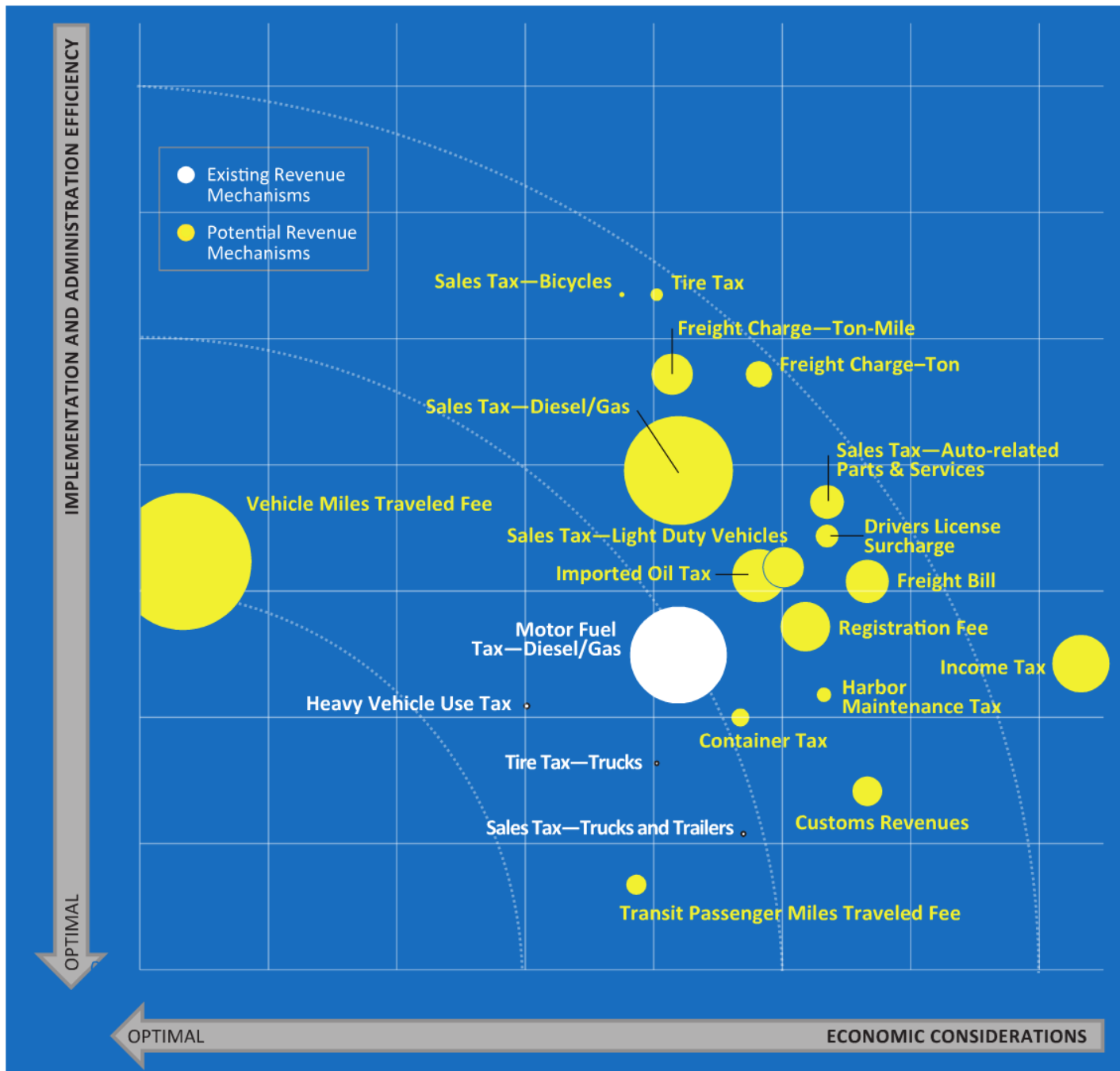


### Matrix of Illustrative Surface Transportation Revenue Options

Existing Highway Trust Fund Revenue Mechanisms	Illustrative Rate or Percentage Increase	Definition of Mechanism/Increase	\$ in Billions	
			Assumed 2014 Yield	Total Forecast Yield 2015–2020
Motor Fuel Tax—Diesel	15.0¢	¢/gal increase in current rate (approx. 10% increase in total rate)	\$6.54	\$41.79
Motor Fuel Tax—Gas	10.0¢	¢/gal increase in current rate (approx. 10% increase in total rate)	\$13.21	\$78.12
Heavy Vehicle Use Tax	50%	Increase in current revenues, structure not defined	\$0.02	\$0.14
Sales Tax—Trucks and Trailers	10%	Increase in current revenues, structure not defined	\$0.01	\$0.09
Tire Tax—Trucks	10%	Increase in current revenues, structure not defined	\$0.00	\$0.01
Potential Highway Trust Fund Revenue Mechanisms	Illustrative Rate or Percentage Increase	Definition of Mechanism/Increase	Assumed 2014 Yield*	Total Escalated Yield 2015–2020*
Container Tax	\$15.00	Dollar per TEU	\$0.66	\$4.26
Customs Revenues	5.0%	Increase in/reallocation of current revenues, structure not defined	\$1.80	\$11.66
Drivers License Surcharge	\$5.00	Dollar annually	\$1.08	\$6.98
Freight Bill—Truck Only	0.5%	Percent of gross freight revenues (primary shipments only)	\$3.07	\$19.90
Freight Bill—All Modes	0.5%	Percent of gross freight revenues (primary shipments only)	\$3.80	\$24.60
Freight Charge—Ton (Truck Only)	10.0¢	¢/ton of domestic shipments	\$1.17	\$7.54
Freight Charge—Ton (All Modes)	10.0¢	¢/ton of domestic shipments	\$1.44	\$9.29
Freight Charge—Ton-Mile (Truck Only)	0.10¢	¢/ton-mile of domestic shipments	\$1.41	\$9.15
Freight Charge—Ton-Mile (All Modes)	0.10¢	¢/ton-mile of domestic shipments	\$3.48	\$22.52
Harbor Maintenance Tax	25.0%	Increase in/reallocation of current revenues, structure not defined	\$0.43	\$2.79
Imported Oil Tax	\$2.50	Dollar/barrel	\$5.76	\$37.28
Income Tax—Business	1.0%	Increase in/reallocation of current revenues, structure not defined	\$2.79	\$18.06
Income Tax—Personal	0.5%	Increase in/reallocation of current revenues, structure not defined	\$6.70	\$43.36
Motor Fuel Tax Indexing to CPI—Diesel	—	¢/gal excise tax	—	\$5.22
Motor Fuel Tax Indexing to CPI—Gas	—	¢/gal excise tax	—	\$10.87
Oil, Gas, and Minerals Receipts	25.0%	Increase in/reallocation of current revenues, structure not defined	\$2.20	\$14.25
Registration Fee—Electric LDVs	\$100.00	Dollar annually	\$0.01	\$0.06
Registration Fee—Hybrid LDVs	\$50.00	Dollar annually	\$0.17	\$1.12
Registration Fee—Light Duty Vehicles	\$15.00	Dollar annually	\$3.57	\$23.11
Registration Fee—Trucks	\$150.00	Dollar annually	\$1.63	\$10.54
Registration Fee—All vehicles	\$20.00	Dollar annually	\$4.98	\$32.21
Sales Tax—Auto-related Parts & Services	1.0%	Percent of sales	\$2.32	\$15.04
Sales Tax—Bicycles	1.0%	Percent of sales	\$0.06	\$0.38
Sales Tax—Diesel	7.6%	Percent of sales (excl. excise taxes)	\$9.65	\$62.50
Sales Tax—Gas	5.6%	Percent of sales (excl. excise taxes)	\$24.05	\$155.66
Sales Tax—New Light Duty Vehicles	1.0%	Percent of sales	\$2.41	\$15.61
Sales Tax—New and Used Light Duty Vehicles	1.0%	Percent of sales	\$3.46	\$22.40
Tire Tax—Bicycles	\$2.50	Dollar per bicycle tire	\$0.08	\$0.53
Tire Tax—Light Duty Vehicles	1.0%	Of sales of LDV tires	\$0.33	\$2.12
Transit Passenger Miles Traveled Fee	1.5¢	¢/passenger mile traveled on all transit modes	\$0.84	\$5.45
Vehicle Miles Traveled Fee—Light Duty Vehicles	1.0¢	¢/LDV vehicle mile traveled on all roads	\$27.12	\$175.58
Vehicle Miles Traveled Fee—Trucks	4.0¢	¢/truck vehicle mile traveled on all roads	\$10.93	\$70.73
Vehicle Miles Traveled Fee—All Vehicles	—	¢/vehicle mile traveled on all roads	\$38.05	\$246.31

\* Base annual yield escalated using CPI-U.

# Policy Optimality Considerations for Federal Revenue Options (\$ in billions)



# Key Steps Part 2

## **2014 - Election year**

- December 2014: Iowa Economic Development Authority - Battelle Report
- Late November/Early December 2014 Connections – AGC Regional Meetings, Other Associations
- December 2014 Governor asks for Bipartisan Solution – sets leadership meetings

## **2015**

- Iowa Good Roads efforts – ‘We can’t wait’, January 2015
- January 13, 2015 Legislative Session begins
- February 25, 2015 SF 257 signed into Law
- March 1, 2015 SF 257 goes into effect