

F I N A L R E P O R T

TRANSPORTATION FINANCE STUDY COMMITTEE

1976

House Concurrent Resolution 48, introduced during the First Session of the Sixty-sixth General Assembly, requested that the Legislative Council create a study committee to study the vehicle registration fee structure and determine the need for revising the fee schedule. House Concurrent Resolution 85, also introduced during the last session, requested that the Legislative Council establish a study committee to study the need for developing a new formula for allocating transportation funds and increasing funds needed to meet present and future transportation needs. House Concurrent Resolution 86, introduced during the last session, requested that the Legislative Council create a study committee to study the problems of public mass transit in the state. At its meeting of July 16, 1975, the Studies Committee recommended that the Legislative Council refer all three resolutions to a special interim study committee. The Legislative Council approved the recommendation on July 16, 1975.

The following members of the Senate and the House of Representatives were appointed as members of the Study Committee by the Legislative Council:

Senator C. Joseph Coleman
Senator Cliff Burroughs
Senator Willard R. Hansen
Senator Karl Nolin
Senator Richard J. Norpel, Sr.
Senator Joan Orr
Representative Terry Branstad
Representative John B. Brunow
Representative Richard F. Drake
Representative Fred L. Koogler
Representative Robert A. Krause
Representative B. Joseph Rinas

The Transportation Finance Study Committee held two one-day meetings and three two-day meetings. The Transportation Finance Study Committee held its organizational meeting on July 30, 1975 at which time Senator C. Joseph Coleman and Representative John B. Brunow were elected as permanent Co-chairpersons of the Study Committee. The Study Committee reviewed the resolutions and agreed that the work during the interim should be concentrated on the following issues:

1. Review the present methods for funding highway transportation needs and the allocation of these funds.
2. Make an analysis of public transportation facilities in the state which provide services in the metropolitan areas and services which are available in rural areas and to determine the role of the state in public transportation.

3. Review the present laws of this state and determine what action the General Assembly might take to encourage the improvement of rail service in the state.

The Co-chairpersons appointed four subcommittees to work on various aspects of the transportation laws. The subcommittees and their membership are as follows:

Funding Subcommittee:

Representative John B. Brunow, Chairperson
Senator C. Joseph Coleman
Senator Willard R. Hansen
Senator Karl Nolin
Senator Richard J. Norpel, Sr.
Representative Terry E. Branstad
Representative Richard F. Drake
Representative B. Joseph Rinas

Registration Subcommittee:

Representative Fred L. Koogler, Sr., Chairperson
Senator Cliff Burroughs
Senator Karl Nolin
Representative John B. Brunow

Railroads Subcommittee:

Representative Robert A. Krause, Chairperson
Senator C. Joseph Coleman
Senator Richard J. Norpel, Sr.
Representative Richard F. Drake

Mass Transit Subcommittee:

Senator Joan Orr, Chairperson
Senator Willard R. Hansen
Representative Terry E. Branstad
Representative B. Joseph Rinas

At the first and second meetings of the Study Committee, representatives of the State Department of Transportation provided information requested by the Study Committee and discussed the present transportation funding needs and the availability of funds from existing revenue sources. The Study Committee was informed that a minimum of \$75,000,000 in new revenue is needed for highways and that an additional \$15,000,000 is needed for other transportation modes. Representatives of the County Engineers Association, the League of Iowa Municipalities, the AAA Motor Club of Iowa, the Iowa Farm Bureau Federation, the Freeway 520 First Association, the Iowa Good Roads Association, and the Associated General Contractors also appeared to present the views of their respective organizations relative to highway funding needs and bonding for highways.

At its meeting of October 1, 1975, Mr. Dan Dees, Acting Chief, Bureau of Planning, Illinois Department of Transportation, appeared before the Study Committee to discuss the Illinois highway bonding program. The Study Committee members were interested in factual data relative to the Illinois bonding procedures and the affect bond revenues have had on the highway construction and maintenance program in that state. At this meeting, the Study Committee also discussed alternative proposals to resolve the highway funding problem.

At its meeting of October 29-30, 1975, the Study Committee heard testimony from Mr. Robert Helmick, a bonding attorney from Des Moines, relative to highway bonding. He appeared to discuss the legal problems which arise under the laws and constitution of the state when bonding is considered. While no definitive answers were given, Mr. Helmick reviewed the issues and existing case law for the Study Committee.

Following is a summary of the recommendations proposed by the Transportation Finance Study Committee.

HIGHWAYS

The amount of funds available in the road use tax fund to be used by cities, counties, and the state for the construction and maintenance of the public highway system concerns members of the General Assembly and administrators. Beginning with the current fiscal year, ten percent of two-thirds of the sales and use tax revenue is no longer earmarked to the road use tax fund. The highway funding program received additional federal funds during the current fiscal year when the federal government released impounded funds. The present tax dollars diverted to the road use tax fund have not grown at the same rate as inflation during the past year. Registration fee revenues have leveled off because of a trend which has recently developed in which automobile purchasers are trading larger vehicles for smaller and more economical vehicles. With the volume of motor fuel usage leveling off because of public concern for the present energy crisis, the amount of gas tax collected on motor fuel is following the same pattern. On the other hand, highway construction costs have increased at a faster rate than the general rate of inflation.

The Study Committee discussed bonding and an increase in the tax on motor fuel and special fuel in addition to the proposal adopted by the Study Committee. A proposal to increase the tax on motor fuel and special fuel by two cents per gallon was endorsed by a majority of the members of the Study Committee. However, proponents of highway bonding felt that the revenue derived from a two-cent increase on the tax on motor fuel and special fuel should be used to pay the principal and interest for the retirement of highway bonds and agreed to support the tax increase only if it were accompanied with a highway bonding proposal. Other members of the Study Committee who supported a

two-cent increase in the tax on motor fuel and special fuel proposed to place the revenues in the road use tax fund. As a result of the impasse, a recommendation that a two-cent per gallon increase of the tax on motor fuel and special fuel was defeated. The Transportation Finance Study Committee adopted the following recommendations:

1. That the General Assembly enact the necessary legislation to again divert ten percent of two-thirds of the sales and use tax revenue from the general fund of the state to the road use tax fund.

2. That all vehicle registration fees be increased by twenty percent, effective January 1, 1977.

3. That the General Assembly appropriate for the fiscal year beginning July 1, 1976 and ending June 30, 1977 the sum of \$14,000,000 from the general fund of the state to the road use tax fund.

4. That the General Assembly appropriate for the fiscal year beginning July 1, 1976 and ending June 30, 1977 the sum of \$5,400,000 from the general fund of the state to the street construction fund of the cities.

RAILROADS

The Railroad Subcommittee held several meetings during the interim to develop a legislative program to insure the continuation and possible improvement of rail transportation services in the state. The Transportation Finance Study Committee adopted the following recommendations:

1. That the General Assembly continue the present railroad rehabilitation program and that \$3,000,000 be appropriated to fund the railroad rehabilitation program for the fiscal year beginning July 1, 1976 and ending June 30, 1977.

2. That the General Assembly not require the assessment of the materials and construction work carried on in the railroad rehabilitation program because the Railroad Division of the State Department of Transportation has recognized the problem and includes in contracts the need for minimum equipment and material quality requirements.

3. That the General Assembly establish a fund from which moneys could be used by the Railroad Division of the State Department of Transportation for innovative programs designed to improve railroad transportation service in the state such as a through put study to assess the mechanism by which cars are side-tracked for long periods negating any time saved by upgrading lines to increase maximum speed limits. No recommendation is made relative to the amount of funds to be appropriated to the fund.

4. That the General Assembly authorize a pilot project administered by the State Department of Transportation to enter into contractual agreements for upgrading railroad crossings and that \$250,000 be appropriated for the project.

5. That the General Assembly enact necessary legislation to amend Chapter 483 of the Code to allow certain districts to be established for the purpose of upgrading railroads. The amendments to the present law should provide:

a. That modern election law procedures be incorporated in the present law.

b. That petitioning for a railroad district should be allowed upon signatures of a number of qualified electors equal to two percent of the number of qualified electors voting in the last general election.

c. That a board of directors be established in the district to expend funds collected in the special taxing district.

d. That a petition for creation of a special district be required to include a plan for use of funds received from a levy in the special district.

e. That the special district be authorized to purchase and lease land in addition to levying taxes for railroad improvements and be authorized to bond earmarking the one-third levy presently in the Code for retirement of bonds.

f. That the Transportation Regulation Board be authorized to dissolve any such district after five years.

g. That the special district be authorized to petition the Transportation Regulation Board for dissolution.

The Transportation Finance Study Committee further recommends that the State Department of Transportation investigate competitive bidding for railroad materials and that the Department develop a proposal to be submitted to the General Assembly which would include sufficient authority, including subpoena power, for the Railroad Division of the State Department of Transportation to monitor whether or not railroad repair funds scheduled for this state by railroad companies are being diverted because of the Iowa railroad rehabilitation program.

PUBLIC TRANSPORTATION

The Transportation Finance Study Committee recommends that the sum of \$1,500,000 be appropriated for the fiscal year beginning July 1, 1976 and ending June 30, 1977 to the State Department of Transportation for assisting public transportation programs in the state to be allocated as follows:

1. Not more than \$800,000 for operating assistance to transit systems throughout the state.
2. Not more than \$500,000 for distribution for demonstration and development programs.
3. Not more than \$200,000 for statewide technical assistance.

The Transportation Finance Study Committee further directs the Public Transit Division of the Department of Transportation to provide to members of the Study Committee and to members of the Transportation and Law Enforcement Subcommittee of the Committees on Appropriations by mid-December the following information:

1. Distribution of appropriated funds to transit systems in urban areas of over 50,000 population, transit systems in urban areas of under 50,000 population, and rural transit systems.
2. General rules which would implement the procedure for distribution of the funds for all three areas.
3. Type of reversion that should be provided for the funds.
4. Collection of data presented to the Subcommittee at its several meetings.

WATER AND AIR

Information relative to water and air transportation in the state was presented to the Study Committee but no recommendations were made by the Transportation Finance Study Committee.

Bill drafts necessary to implement legislative recommendations approved by the Transportation Finance Study Committee are being prepared by the Legislative Service Bureau.

MINORITY REPORT
TO THE
FINAL REPORT
OF THE
TRANSPORTATION FINANCE STUDY COMMITTEE
BY
STATE SENATOR WILLARD HANSEN

- MAJORITY STUDY COMMITTEE'S RECOMMENDATION -

On the face of its proposal, the Study Committee's recommendation falls short in at least five major areas:

First, of the \$56 million to be raised, only \$36 million is permanent. The remainder is a one shot appropriation from the general fund. Thus, it has failed to come up with a long-term solution to highway funding.

Second, the 20 percent increase in registration fees will place a very heavy financial burden on middle and low income Iowans who will be forced to go to their pockets each year for large one shot expenditures. If the legislative leadership is concerned about passing legislation that is noncontroversial in an election year, they better re-evaluate the consequences of this proposal.

Third, the old chestnut of whether ten percent of the two percent sales tax should be earmarked to the road use tax fund has also been raised. If the legislature wants to make a transportation funding bill a potential political football they need only push this concept to the limit. The Governor has already indicated his strong displeasure at this type of financing. There is more than a probability that any bill with this provision within it will be vetoed.

Fourth, the Study Committee ignored consideration in the final report of the distribution formula.

Fifth, the Study Committee ignored consideration in the final report of the classification system.

The Study Committee labored many hours on this subject but, frankly, we are no closer today than we were six months ago to solving this problem. In fact, if anything, we are farther away from a solution.

One new idea which has gained some bipartisan support is the suggestion that the tax on fuel be determined on a percent of the wholesale price rather than on a specified amount per gallon. It provides a reasonable remedy for combating the inflationary aspect of road construction. Hopefully, the proper legislative committee will carefully consider this concept next year.

- NLED FACTOR -

Almost half a century ago the state of Iowa embarked on a road building program to "take Iowa out of the mud." If the proposal advocated by the majority of this Study Committee is enacted, we will have hitched our wagon to a new star and have succeeded in turning the clock back a half century by "driving Iowa back into the mud."

All of us are aware of a need for adequate funding for the Iowa road system. It is wearing out at a rate of three miles for every mile we are replacing. What is not as clearly understood is the level of that need. The state Department of Transportation testified that it needed at least \$110 million in the next year alone just to sustain the present level of funding.

I want to underscore that \$110 million will only sustain the inadequate level of funding which has existed in the past. In no manner does it respond nor resolve the problems of the past through which benign neglect left us looking at \$4.58 billion of unmet highway needs in 1968 which, now through inflation coupled with a perpetuation of the highway indifference syndrome, has escalated to \$10.13 billion in 1974.

Realistically, there is neither public nor political momentum to achieve this optimum level of road system construction. I cite it only as a benchmark by which the chest-beaters, carrying their proud banner of \$56 million, can measure their level of achievement.

The Study Committee, in its report, has offered nothing more than an aspirin when proper diagnosis dictates radical surgery. If we are seeking a healthy highway system, which is also safe for the motoring public, we cannot afford the aspirin intake which numbs our anxieties over the transportation inadequacies while ignoring long-term recovery.

- CONSTRUCTION COST DOUBLE -

In the last eight years since the Iowa construction cost base was set, the rate of increase has been phenomenal. Thus, what used to cost \$100 in highway construction in 1967 cost \$124.70 in 1972, \$153.00 in 1973, and is estimated to cost \$204 this year.

Another example of the doubling of cost was the Interstate 35 diagonal. Originally, it was estimated to take five years and cost \$30 million. The actual cost of \$60 million over a ten-year period.

As a resident of the highway desert of northeast Iowa, I have seen the dream of highway 520 shattered by this funding indifference attitude. This dream could have been a reality in 1966 for \$245 million, but the ugly specter of inflation has turned it into a nightmare costing \$447 million today.

How long will we languish over this proposal, putting off until tomorrow what should have been done today because we lack of fortitude to take this message to the people to discuss squarely with them the alternatives of a gas tax increase or bonding for freeway completion.

The evidence is clear that any delay in meeting our highway needs results in substantial increase in cost.

- BONDING -

One method of achieving at least part of our present highway needs is limited bonding amortized by a two-cents gas tax adjustment. I urge the next session of the legislature to adopt such a program. The Study Committee first accepted and then later rejected this for reasons, I feel, were more political than philosophical. Bonding is not a new nor revolutionary concept for this state. Iowa entered the bonding period in the 1920's. All but one of the 99 counties sold about \$118 million worth of highway bonds. By 1934 over 4300 miles of road had been paved, leaving Iowa only 690 miles short of meeting its projected need. Thus, at that time when Iowa and this nation were plagued by economic chaos, we were closer to achieving our objectives of an adequate road system than ever before or since.

What a bitter irony that today our state treasury is wallowing in unprecedented wealth, while our commitment toward a safe and sane highway system is skimming along with unparalleled timidity.

- NEIGHBORING STATES -

But boldness has not been abandoned in all midwestern states. In Wisconsin the General Assembly will meet on December 9 for a special session on transportation funding. The Democratic Governor has asked for a two-cents a gallon increase in the gasoline tax, plus additional funds from an increase in registration fees.

Minnesota, with the help of its Democratic Governor and his friends in the legislature, last year increased by two-cents a gallon their gas tax. A \$250 million bonding program will be considered in the next session. There is also serious consideration of additional revenue increases for the road fund in 1976 from increases in the registration fees.

- BRIDGES -

Our road program is not isolated in northeast Iowa, nor does it concern itself solely with urban interests. All Iowans suffer from an inadequate road system but let me pause for a moment to point to one of the acute needs of rural Iowa.

Besides road needs, Iowa faces a severe crisis on her bridges. A federal study indicates that our state ranks second in the number of bridges that have been found to be "critically deficient."

The transportation of rural school children is highly dependent upon the bridge links which channel children to our

consolidated schools. The ever expanding world food market which has prospered our Iowa economy and fed our overflowing state treasury demands an efficient and effective farm to market road system connected by adequate bridge and road systems.

- TRAFFIC SAFETY -

highway advocates have frequently been segregated at opposite sides from the advocates of so-called "people programs." The injustice of such a placement is patently unfair when one ponders the impact of a sane road system upon traffic safety.

A major reason for upgrading our roads is to improve the safety conditions. More than three times as many Americans have died in traffic crashes than in battles of all our wars since the beginning of this century. Since 1899, the date of the first automobile fatality, until early 1974 over two million Americans have been killed.

The state Department of Transportation estimated that by completing Interstate 35 six months early, five less people would be killed on that stretch of highway and over 100 less traffic accidents will be avoided in the next year.

There is no question that an adequate road or at the very least, a more sufficiently funded highway system will be a significant investment in the preservation of human life.

- CONCLUSION -

Unless an adequate funding program is put together that both the legislature and the Governor can approve, then dire consequences lie ahead. Human safety is at stake. The total economy of this state is at stake both directly and indirectly. The bulk of both our agricultural and manufactured commodities must be moved by road. By inadequate funding which fails to even sustain the current highway need we may well find ourselves falling victim to the same disease which has virtually killed other modes of transportation. To allow the highways to deteriorate to the level of our railroads is to invite disaster.

The time for strong leadership and political statesmanship in the legislature is now. We must come up with a long-term solution to this issue. The proposal of the Study Committee, at best, is short range. Whether we go to bonding, a raise in the gas tax, or a change from pennies per gallon to percentage of the wholesale gas tax is not as important as the fact that we must act now.

There is a need in Iowa for a balanced transportation program that will move safely and adequately both people and products, not only within our state and country, but throughout the world.

I have and will continue to support a diversified transportation system rail, barge, and road programs. It is imperative, however, that we solve the biggest problem--that of road funding--first before any major commitments are made on a long-term scale to other modes of transportation.

Today in Iowa the majority of our people and the bulk of our product movement is dependent upon a road system. There is every evidence that this will remain so for many years to come.