

**ROAD FINANCING STUDY COMMITTEE**

**REPORT TO THE LEGISLATIVE COUNCIL  
AND THE MEMBERS OF THE  
FIRST SESSION OF THE SIXTY-SEVENTH GENERAL ASSEMBLY**

**STATE OF IOWA  
1977**

## FINAL REPORT

### ROAD FINANCING STUDY COMMITTEE

The Road Financing Study Committee was created pursuant to an oral request made to the Studies Committee at its meeting of July 13, 1976. The Studies Committee agreed that a study of this nature should include a study of the need for additional road moneys and a study of the present formula for allocating road funds. The recommendation of the Studies Committee was approved by the Legislative Council.

The following members of the Senate and the House of Representatives were appointed as members of the Study Committee by the Legislative Council: Representative B. Joseph Rinas, Temporary Chairperson, Senator C. Joseph Coleman, Senator Willard R. Hansen, Senator Eugene M. Hill, Senator Elizabeth R. Miller, Senator John S. Murray, Senator Fred W. Nolting, Senator Richard J. Norpel, Sr., Senator John N. Nystrom, Senator Bass Van Gilst, Representative Glen E. Bortell, Representative Richard F. Draks, Representative Keith H. Dunton, Representative Thomas J. Gilloon, Representative Fred L. Koogler, Representative Laverne W. Schroeder, Representative Don W. Spencer, and Representative Henry C. Wulff.

The Road Financing Study Committee has held four meetings to date and anticipates one more meeting which will be of one or two days duration, depending upon the time needed for the Study Committee to formulate its final recommendations. At its organizational meeting of August 18, 1976, the Study Committee elected Representative B. Joseph Rinas as permanent Chairperson and Senator C. Joseph Coleman as permanent Vice Chairperson.

Also at the first meeting, the Study Committee agreed to establish two subcommittees. The Taxation Subcommittee was directed to review road funding and the various sources of revenue available to road funding. The Distribution Subcommittee was directed to review the present allocation formula and make recommendations for changing distribution from the road use tax fund to the primary, secondary, farm-to-market road funds and the cities.

During the course of the study, the State Department of Transportation has provided all of the statistical data requested by the Study Committee and its subcommittees.

### DISTRIBUTION SUBCOMMITTEE

The Distribution Subcommittee of the Road Financing Study Committee, chaired by Representative B. Joseph Rinas is composed of the following members: Senator Eugene M. Hill, Senator Richard J. Norpel, Sr., Senator John N. Nystrom, Senator Bass Van Gilst, Representative Glen Bortell, Representative Thomas Gilloon, Representative Fred Koogler, and Representative Henry C. Wulff.

Meeting three times during the interim, the Subcommittee reviewed the present distribution formula and requested the State Department of Transportation to provide data relative to the impact on alterations to the present formula.

The Subcommittee has approved the following recommendations to the Study Committee:

1. That the Study Committee consider the feasibility of recommending the appropriation of funds from the general fund of the state for bridges.

2. That the allocation of funds be made on the basis of the 1974 needs study with at least a quadrennial update of that study with increased funding and minimum loss to counties.

3. That the allocation of the road use tax fund be 48 percent to primary roads, 34 percent to secondary and farm-to-market roads, and 18 percent to city streets, that the interstate matching funds be increased from \$2.5 million to \$3.5 million, and that the present one-half of one cent of the motor fuel tax allocated to the primary road fund be placed in the road use tax fund for allocation to the state, counties, and cities under the formula allocating the road use tax fund.

#### TAXATION SUBCOMMITTEE

The Taxation Subcommittee of the Road Finance Study Committee chaired by Senator Joseph Coleman is composed of the following members: Senator Willard R. Hansen, Senator Elizabeth Miller, Senator John S. Murray, Senator Fred W. Nolting, Representative Richard F. Drake, Representative Keith Dunton, Representative Laverne Schroeder and Representative Don W. Spencer.

Meeting twice during the 1976 interim, the Subcommittee first investigated the current motor fuel and special fuel taxation scheme. Mr. Wayne Fulmer, Director of the Motor Vehicle Fuel Tax Division of the Department of Revenue, explained the present collection system of 7 cents per gallon for motor fuel and special fuel and 8 cents per gallon for diesel engine special fuel. He explained that the tax, like the federal tax, is collected at the distributor level rather than at the numerous retail outlets, adding that there are 1,281 distributors of motor fuel and 2,357 dealers and users, 174 L.P. gas distributors and 298 L.P. gas dealers and 64 aviation fuel collectors.

The Subcommittee considered and recommended to the Study Committee the following proposals:

1. That the motor vehicle registration plate be altered to provide for an alphabetical designation of the county on the bottom of the plate rather than a numeric designation. This would allow larger letters and numerals to be used for the three alphabetical

characters and the three numerical characters composing the registration plate number. This would conform Iowa to the national system for vehicle identification.

2. A bill to allow an Iowa highway safety patrol vehicle to have a yellow registration plate with two red stars, one before and one following the registration vehicle numbers.

3. A fuel tax proposal. The Subcommittee considered the possibility of converting the present penny per gallon fuel tax to a percentage of the average wholesale or retail price. This percentage would then be used to recompute the penny per gallon figure to be charged distributors. Alternatively this percentage could be raised to effect an immediate fuel tax increase. The Subcommittee also discussed the possibility of converting the fuel tax to a percentage of retail cost which would then be added on to the cost of fuel by the retailer and the retailer would be required to make quarterly or monthly payments to the Revenue Department. The last alternative considered and the alternative adopted by the Subcommittee to recommend to the full Study Committee is to charge sales tax on motor fuel sold at retail to be collected by the retailer and paid to the Department of Revenue to be designated for use for roads consistent with constitutional requirements.

Bill drafts are available of proposals numbered one and two, but the sales tax proposal has not been accepted by the Study Committee.

#### STUDY COMMITTEE RECOMMENDATIONS

The Road Financing Study Committee met on December 16, 1976 and adopted its final recommendations to the members of the Sixty-seventh General Assembly. The following are the recommendations of the Road Financing Study Committee:

1. A bill to allow the motor vehicle registration plate to be altered to provide for an alphabetical designation of the county on the bottom of the plate rather than a numeric designation. (See Bill I attached)

2. A bill to allow an Iowa highway safety patrol vehicle to have a yellow registration plate with two red stars, one before and one following the numbers appearing on the registration plate. (See Bill II attached)

3. A bill which provides for a three cents per gallon increase in tax on motor fuel, diesel engine special fuel, and special fuel. The bill also recommends the implementation of functional reclassification of roads and provides for the allocation of the road use tax funds of 47 percent to the primary road fund, 38 percent to the secondary and farm-to-market road fund, and 15 percent to the street construction fund with a \$2.5 million matching fund appropriated from the road use tax fund for

use in matching federal funds. All other funding presently provided by law for specific purposes from the road use tax fund prior to distribution of road use tax funds to the primary road fund, the secondary and farm-to-market fund, and the street construction fund will be appropriated from the primary road fund. The recommendation also includes the distribution of secondary and farm-to-market funds on the basis of the 1974 needs study with at least quadrennial updates with provisions to guarantee that all counties will receive at least an amount equal to the amount received for the fiscal year beginning July 1, 1975 pursuant to allocation under the present law which allocates secondary and farm-to-market funds among the counties on the basis of 1960 needs. The provisions of the recommendation will become effective July 1, 1977. (See Bill III attached)

BILL I

PREPARED BY THE LEGISLATIVE  
SERVICE BUREAU PURSUANT TO  
THE RECOMMENDATIONS ADOPTED  
BY THE ROAD FINANCING STUDY  
COMMITTEE

January, 1977

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act to allow for numerical or alphabetical designation  
2 of the county on motor vehicle registration plates.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section three hundred twenty-one point thirty-  
2 five (321.35), unnumbered paragraph one (1), Code 1977, is  
3 amended to read as follows:

4 Every registration plate shall have displayed upon it the  
5 registration number assigned to the vehicle for which it is  
6 issued, the numerical designation of the county, as determined  
7 by its alphabetical ranking among the counties of the state,  
8 in which the vehicle is registered, or the name of the county  
9 in which the vehicle is registered, which may be abbreviated  
10 and the name of this state, which may be abbreviated, and  
11 the year number for which it is issued or the date of  
12 expiration thereof of the registration plate.

13 EXPLANATION

14 This bill allows the option of designating the county on  
15 a motor vehicle license plate either numerically or  
16 alphabetically.

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BILL II

PREPARED BY THE LEGISLATIVE  
SERVICE BUREAU PURSUANT TO  
THE RECOMMENDATIONS ADOPTED  
BY THE ROAD FINANCING STUDY  
COMMITTEE

January, 1977

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act to require that registration plates issued for Iowa  
2 highway safety patrol vehicles shall bear two stars.

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1 Section 1. Section three hundred twenty-one point nineteen  
2 (321.19), subsection one (1), Code 1977, is amended to read  
3 as follows:

4 1. All vehicles owned by the government and used in the  
5 transaction of official business by the representatives of  
6 foreign powers or by officers, boards, or departments of the  
7 government of the United States, and by the state of Iowa,  
8 counties, municipalities and other subdivisions of government  
9 including vehicles used by an urban transit company operated  
10 by a municipality and such self-propelling vehicles as are  
11 used neither for the conveyance of persons for hire, pleasure,  
12 or business nor for the transportation of freight other than  
13 those used by an urban transit company operated by a  
14 municipality, and all fire trucks, providing they are not  
15 owned and operated for a pecuniary profit, are hereby exempted  
16 from the payment of the fees in this chapter prescribed,  
17 except as provided for urban transit companies in subsection  
18 2, but shall not be exempt from the penalties herein provided.  
19 The department shall furnish, on application, free of charge,  
20 distinguishing plates for vehicles thus exempted, which plates  
21 shall bear the word "official," and the department shall keep  
22 a separate record thereof. Registration plates issued for  
23 Iowa highway safety patrol vehicles, except unmarked patrol  
24 vehicles, shall bear two red stars on a yellow background,  
25 one before and one following the registration number on the  
26 plate. Provided that the director of general services or  
27 the director of transportation may order the issuance of  
28 regular registration plates, for any such exempted vehicle,  
29 used by peace officers in the enforcement of the law and  
30 persons enforcing chapter 204 and other laws relating to  
31 controlled substances. For purposes of sale of vehicles  
32 exempted as herein indicated, the exempted governmental body,  
33 upon the sale of the exempted vehicles, may issue for in-  
34 transit purposes a pasteboard card bearing the words "Vehicle  
35 in Transit," the name of the official body for which the

1 vehicle was purchased, together with the date of the purchase  
2 plainly marked in minimal of one-inch letters, and other  
3 information which may be required by the department. The  
4 in-transit card shall be valid for use only within forty-eight  
5 hours after the purchase date as indicated on the bill of  
6 sale which shall be carried by the driver.

7 EXPLANATION

8 This bill requires that Iowa highway safety patrol vehicle  
9 registration plates bear two stars.

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BILL III

PREPARED BY THE LEGISLATIVE  
SERVICE BUREAU PURSUANT TO  
THE RECOMMENDATIONS ADOPTED  
BY THE ROAD FINANCING STUDY  
COMMITTEE

January, 1977

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to the road use tax fund by increasing  
2 the tax on motor fuel and special fuel and providing  
3 for the distribution of the moneys in the road use  
4 tax fund.

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

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1 Section 1. Section three hundred twelve point two (312.2),  
2 subsections five (5) and seven (7), Code 1977, are amended  
3 to read as follows:

4 5. The treasurer of state shall ~~before-making-the-above~~  
5 ~~allocments~~ credit annually from the primary road fund to the  
6 highway grade crossing safety fund the sum of five hundred  
7 thousand dollars, credit annually ~~to~~ from the primary road  
8 fund the sum of one million four hundred thousand dollars  
9 for carrying out subsection 12 of section 307A.2, the last  
10 paragraph of section 313.4 and section 307A.5, and credit  
11 annually ~~to~~ from the primary road fund the sum of five hundred  
12 thousand dollars to be used for paying expenses incurred by  
13 the state department of transportation other than expenses  
14 incurred for extensions of primary roads in cities. All  
15 unobligated funds provided by this subsection, except those  
16 funds credited to the highway grade crossing safety fund,  
17 shall at the end of each year revert to the ~~road-use-tax~~  
18 primary road fund. Funds in the highway grade crossing safety  
19 fund shall not revert to the ~~road-use-tax~~ primary road fund  
20 except to the extent they exceed five hundred thousand dollars  
21 at the end of any biennium.

22 7. The treasurer of state shall ~~before-making-the-alloc-~~  
23 ~~ments-provided-for-in-this-section~~ credit monthly from the  
24 primary road fund to the division of motor vehicle registration  
25 of the state department of transportation funds sufficient  
26 in amount to pay the costs of purchasing supplies and materials  
27 and for the cost of prison labor used in manufacturing motor  
28 vehicle registration plates, decalcomania emblems, and  
29 validation stickers at the prison industries.

30 Sec. 2. Section three hundred twelve point three (312.3),  
31 subsection one (1), Code 1977, is amended to read as follows:

32 1. Apportion among the counties in the ratio that the  
33 needs of the secondary roads of each county bear to the total  
34 needs of the secondary roads of the state ~~for-the-twenty-year~~  
35 ~~improvement-program-developed-by-the-automotive-safety~~

1 foundation-and-filed-with-the-Iowa-highway-study-committee  
2 created-by-chapter-426,-Acts-of-the-Fifty-eight-General  
3 Assembly as shown in the latest biennial update of the twenty-  
4 year highway need study report developed by the state  
5 department of transportation, and which is on record at the  
6 department, sixty percent of the allocation from road use  
7 tax funds which he has credited to the secondary road fund  
8 of the counties, and apportion among the counties in the ratio  
9 that the area of such county bears to the total area of the  
10 state, forty percent of the allocation from road use tax funds  
11 which he has credited to the secondary road fund of the  
12 counties. However, if any county receives an amount which  
13 is less than the amount in dollars received by that county  
14 from the secondary road fund for the fiscal year beginning  
15 July 1, 1975, the funds from the secondary road fund shall  
16 be allocated so that each county receives an amount equal  
17 to the amount in dollars received from the secondary road  
18 fund for the fiscal year beginning July 1, 1975. The remainder  
19 of the funds available shall be allocated as provided in this  
20 subsection on a pro rata basis.

21 Sec. 3. Section three hundred twelve point five (312.5),  
22 unnumbered paragraph three (3), Code 1977, is amended to read  
23 as follows:

24 Need allotment farm-to-market road funds shall be allotted  
25 among the counties in the ratio that the needs of the farm-  
26 to-market roads in each county bear to the total needs of  
27 the farm-to-market roads in the state for-the-twenty-year  
28 program-developed-by-the-automotive-safety-foundation-and  
29 filed-with-the-Iowa-highway-study-committee-cretated-by-chapter  
30 4267-Acts-of-the-Fifty-eighth-General-Assembly as shown in  
31 the latest biennial update of the twenty-year highway need  
32 study report developed by the state department of  
33 transportation, and which is on record at the department.  
34 However, if any county receives an amount which is less than  
35 the amount in dollars received by that county from the farm-

1 to-market road fund for the fiscal year beginning July 1,  
2 1975, the funds from the farm-to-market road fund shall be  
3 allocated so that each county receives an amount equal to  
4 the amount in dollars received from the farm-to-market road  
5 fund for the fiscal year beginning July 1, 1975. The remainder  
6 of the funds available shall be allocated as provided in this  
7 section on a pro rata basis.

8 Sec. 4. Section three hundred thirteen point two (313.2),  
9 unnumbered paragraphs six (6), seven (7), and eight (8), Code  
10 1977, are amended to read as follows:

11 Reasonable maintenance and surveillance of rest area sites  
12 and buildings located thereon shall be provided by regular  
13 maintenance employees of the department under the district  
14 maintenance engineer in the district where the rest areas  
15 are located within the limits of appropriations provided for  
16 such purpose.

17 ~~No transfer of jurisdiction and control of any road or~~  
18 ~~street as required by this Act shall be effective until the~~  
19 ~~enactment of legislation which allocates the road use tax~~  
20 ~~fund in a manner different from the law existing on January~~  
21 ~~4, 1974, and in a manner which compensates state, county and~~  
22 ~~municipal jurisdictions for additional highway, road or street~~  
23 ~~needs acquired by such transfer as determined by the~~  
24 ~~department.~~

25 Notwithstanding the foregoing provision of this section,  
26 transfers in jurisdiction and control of roads and streets  
27 may take place if agreements are entered into by the  
28 jurisdictional divisions of government involved in the transfer  
29 of such roads and streets.

30 Sec. 5. Section three hundred twenty-four point three  
31 (324.3), Code 1977, is amended to read as follows:

32 324.3 LEVY OF EXCISE TAX--EXEMPTIONS--CREDITS. For the  
33 privilege of operating motor vehicles in this state an excise  
34 tax of seven ten cents a gallon is hereby imposed upon the  
35 use of all motor fuel used for any purpose except as otherwise

1 provided in this division. The tax shall be paid in the first  
2 instance by the distributor upon the invoiced gallonage of  
3 all motor fuel received by him in this state, within the  
4 meaning of the word "received" as defined in this division,  
5 less the deductions hereinafter authorized. Thereafter,  
6 except as otherwise provided, the per gallon amount of such  
7 tax shall be added to the selling price of each and every  
8 gallon of such motor fuel sold in this state and collected  
9 from the purchaser to the end that the ultimate consumer shall  
10 bear the burden of such tax; provided, however, that no tax  
11 shall be imposed or collected under this division with respect  
12 to the following:

13 1. Motor fuel sold for export or exported from this state  
14 to any other state, territory, or foreign country.

15 2. Motor fuel sold to the United States or any agency  
16 or instrumentality thereof.

17 3. Motor fuel sold to any post exchange or other  
18 concessionaire on any federal reservation within this state;  
19 but the tax on motor fuel so sold, to the extent permitted  
20 by federal law, shall be collected by the post exchange or  
21 concessionaire, reported and paid the department of revenue.

22 4. Motor fuel sold to the state of Iowa or any of its  
23 agencies, but this exemption shall not apply to political  
24 subdivisions of this state.

25 Sec. 6. Section three hundred twenty-four point thirty-four  
26 (324.34), unnumbered paragraph one (1), Code 1977, is amended  
27 to read as follows:

28 For the privilege of operating motor vehicles in this  
29 state, there is hereby levied and imposed an excise tax on  
30 the use (as defined herein) of special fuel in any motor  
31 vehicle. The rate of tax on special (diesel engine) fuel  
32 shall be eight eleven cents per gallon. On all other special  
33 fuel the per gallon rate shall be the same as the motor fuel  
34 tax. The tax, with respect to all special fuel delivered  
35 by a special fuel dealer for use in this state as defined

1 by section 324.33, shall attach at the time of the delivery  
2 and shall be collected by the dealer from the special fuel  
3 user and shall be paid over to the department of revenue as  
4 hereinafter provided. The tax, with respect to special fuel  
5 acquired by a special fuel user in any manner other than by  
6 delivery by a special fuel dealer into a fuel supply tank  
7 of a motor vehicle, shall attach at the time of the use (as  
8 herein defined) of the fuel and shall be paid over to the  
9 department of revenue by the user as hereinafter provided.

10 Sec. 7. Section three hundred twenty-four point seventy-  
11 nine (324,79), unnumbered paragraphs one (1) and two (2),  
12 Code 1977, are amended to read as follows:

13 The net proceeds of ~~seven-and-one-half-cents-per-gallon~~  
14 the excise tax on the diesel special fuel and-six-and-one-  
15 half-cents-per-gallon the excise tax on motor fuel and other  
16 special fuel, and penalties collected under the provision  
17 of this chapter, shall be credited to the road use tax fund.

18 ~~The net proceeds of one-half-cent-per-gallon excise tax~~  
19 ~~on diesel special fuel and one-half-cent-per-gallon excise~~  
20 ~~tax on motor fuel and other special fuel collected under the~~  
21 ~~provisions of this chapter shall be credited by the treasurer~~  
22 ~~of state to the primary road fund.~~

23 Sec. 8. It is the intent of the general assembly that  
24 upon the effective date of this Act that the functional  
25 reclassification of roads shall be made by the transfer of  
26 jurisdiction over roads and streets as provided by law.

27 EXPLANATION

28 The bill provides for a three cents per gallon increase  
29 in tax on motor fuel, diesel engine special fuel, and special  
30 fuel. The bill also recommends the implementation of  
31 functional reclassification of roads and provides for the  
32 allocation of the road use tax funds of 47 percent to the  
33 primary road fund, 38 percent to the secondary and farm-to-  
34 market road fund, and 15 percent to the street construction  
35 fund with a \$2.5 million matching fund appropriated from the

1 road use tax fund for use in matching federal funds. All  
2 other funding presently provided by law for specific purposes  
3 from the road use tax fund prior to distribution of road use  
4 tax funds to the primary road fund, the secondary and farm-  
5 to-market fund, and the street construction fund will be  
6 appropriated from the primary road fund. The recommendation  
7 also includes the distribution of secondary and farm-to-market  
8 funds on the basis of the 1974 needs study with at least  
9 quadrennial updates with provisions to guarantee that all  
10 counties will receive at least an amount equal to the amount  
11 received for the fiscal year beginning July 1, 1975 pursuant  
12 to allocation under the present law which allocates secondary  
13 and farm-to-market funds among the counties on the basis of  
14 1960 needs. The provisions of the recommendation will become  
15 effective July 1, 1977.

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MINORITY REPORT  
TO THE  
FINAL REPORT  
OF THE  
ROAD FINANCING STUDY COMMITTEE

We, the undersigned members of the Road Financing Study Committee, do not endorse the majority report of the Road Financing Study Committee as it relates to the distribution of the moneys in the road use tax fund. We do endorse the recommendations of the Distribution Subcommittee of the Road Financing Study Committee as contained in this report and the other recommendations of the Road Financing Study Committee.



J. Joseph Rinas



Eugene M. Hill