



Spending Our Transportation Dollars Wisely

by Amy K. Frantz

Elected officials at the state and federal levels are looking at proposals to increase the funds available for highway construction and road and bridge maintenance and repair. Increasing the gas tax is the most discussed option to raise additional revenue. Providing an adequate transportation system is a legitimate and necessary function of government. We would hope, however, that elected and other government officials would be careful stewards of our tax dollars, spending them on projects that have a high priority, such as the repair of deficient bridges or maintaining highways that are important to a smoothly-running economy, and ensuring that the funds that are spent are spent wisely, not wasted.

In December 2006 the Iowa Department of Transportation (IDOT) reported on "Iowa's current Road Use Tax Funds (RUTF) and Future Road Maintenance and Construction Needs" to the Iowa Legislature.¹ The forecast for Iowa's transportation future is dire, according to the IDOT, who projected that for the 20-year period from 2005 to 2024, the state will need to spend \$67.2 billion on Iowa's public roadway system. Federal, state, and local government revenue for the road system is forecasted to total \$39.5 billion. This will leave the state with a shortfall in road spending of \$27.7 billion over the 20-year period.² However, recognizing that the transportation funding is unlikely to increase by that amount, the IDOT has indicated that a minimum of \$200 million per year in new funding is necessary to meet the most critical needs.

The Iowa Legislature's Transportation Investment Moves the Economy in the 21st Century (TIME-21) Funding Study Committee members are considering the list of options presented by the IDOT's report, which encompass increasing current revenue sources, such as an increase in the gasoline tax, as well as potential sources of funding that are not currently utilized. The federal government is also facing proposals to increase the federal tax on gasoline

One factor that has contributed to the discussion of increasing transportation revenue is the rising cost of the materials and labor needed for construction of highways or roadways. "Since 2003 the Consumer Price Index has increased approximately 9.1 percent while the corresponding roadway Construction Cost Index has increased 28.2 percent."³ The increasing cost of construction materials results in less "bang for the buck" of transportation revenue. "In 1989, the last time the fuel tax was significantly increased, it cost about \$140,000 per mile to resurface a two-lane roadway. Today, that same improvement costs about \$290,000 per mile."⁴

There is also the risk that making more revenue available to spend on transportation projects will encourage even higher prices for the projects. When the government is paying the tab, there is often no thought given to economizing or trying to keep costs down. The IDOT report indicates that the trend for construction prices has been mostly upward, rising dramatically from 1986 to

A Publication of: **Public Interest Institute at Iowa Wesleyan College**

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2006.⁵ It is interesting to note that the largest percentage increase from year to year occurred from 1989 to 1990 when the annual price trend jumped 14.9 percent.⁶ This coincides with the increase in the motor fuel tax in Iowa that occurred in 1989, “the last time the fuel tax was significantly increased,”⁷ according to the IDOT report, when the tax on gasoline and diesel fuel was raised by two cents per gallon.

An issue at the federal level that impacts state transportation spending is the earmarking of federal funds for a specific project. If Congress would give up the privilege of earmarking funds, more of the current funding could be used for transportation projects such as critical bridge repair, rather than spending current funds on bike paths and museums, then raising additional taxes for higher-priority projects.

While reining in the use of earmarks would improve the ability to prioritize transportation projects, an even better proposal is to devolve federal gas tax collection back to the states. Rather than having a gasoline tax collected by both the federal and state governments, the federal government could repeal its gas tax and allow the states to collect all gas tax revenue. Thus, state governments, rather than the federal government, would have the primary responsibility for building and maintaining the country’s transportation system.

The Iowa Department of Transportation has produced a study that outlines the future needs of our state’s transportation system. Whether the gas tax will be increased or some of the other IDOT proposals will be implemented will be decided by Iowa Legislators and Governor Culver. Asking those individuals who live and drive in our state to provide the revenue to build and maintain the transportation system in our state brings us closer to the principle that the cost of our road system should be paid by those who use the road system. Federal, state, and local governments must assure the taxpayers that an increase in transportation funding is truly necessary and that the funds will be spent on those projects with the highest priority first. Care should also be taken to ensure that tax revenue that is invested in the transportation system is receiving the most “bang for the buck” possible.

The full Policy Study, “Spending Our Transportation Dollars Wisely” can be viewed at www.limitedgovernment.org.

Endnotes:

¹“Study of Iowa’s Current Road Use Tax Funds (RUTF) and Future Road Maintenance and Construction Needs,” A report to the Iowa Legislature, per Section 85, House File 868, 81st General Assembly, prepared by the Iowa Department of Transportation, December 29, 2006.

²Ibid, p. 7.

³Ibid, p. 31.

⁴Ibid, p. 51.

⁵Ibid, p. 32.

⁶Ibid.

⁷Ibid, p. 51.

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