



Thinking Outside the Box to Face Our Transportation Funding Crisis

by Amy K. Frantz

Providing an adequate transportation system is a legitimate and necessary function of government, one that is vital to a smoothly-running and prosperous economy. Whether through rising costs of materials, extreme weather conditions that have accelerated the need for repairs, or wasteful spending such as earmarking transportation funds for less-critical and unnecessary projects, all levels of government are facing shortfalls in the transportation funding needed to keep our transportation system working.

In December 2006 the Iowa Department of Transportation (IDOT) issued a “Study of Iowa’s current Road Use Tax Funds (RUTF) and Future Road Maintenance and Construction Needs” to the Iowa Legislature. The IDOT projected the state would face a transportation spending shortfall of \$27.7 billion over the 20-year period from 2005 to 2024. Recognizing the unlikelihood of such a large increase in funding, the IDOT indicated that a minimum of \$200 million per year in new funding was necessary to meet the most critical transportation needs.¹

The IDOT recently updated their projections for another report to the Iowa Legislature. While the previous Legislature and Governor Culver provided for some additional funding for transportation projects, by acts such as increasing certain vehicle registration and title fees, the IDOT reports that the shortfall they projected in transportation funding has grown, due in part to continued increases in construction costs and the extreme weather conditions experienced in Iowa last year. The minimum amount of new funding necessary to meet the most critical needs has now reached \$267 million per year.²

The transportation funding shortfall is not just a state issue. The National Surface Transportation Infrastructure Financing Commission, created by the U.S. Congress to “analyz[e] future highway and transit needs and the finances of the Highway Trust Fund and mak[e] recommendations regarding alternative approaches to financing transportation infrastructure,”³ has recommended an increase in the federal gasoline and diesel fuel taxes. The federal tax on gasoline is currently 18.4 cents per gallon and is 24.4 cents per gallon for diesel fuel. The Commission suggests a “roughly 50 percent increase” in those taxes.⁴

An increase in the gasoline and diesel fuel tax is not particularly palatable for today’s politicians, especially if fuel prices rise again to the over \$4 per gallon experienced last year. Here at home, Governor Culver has again reiterated his opposition to increasing Iowa’s motor fuels tax,⁵ which is currently 19 cents per gallon for ethanol-blended gasoline, 21 cents per gallon for gasoline, and 22.5 cents per gallon of diesel fuel.⁶ Culver indicated he “expects Congress to approve a federal stimulus package that will provide infrastructure help for the states, and he’d like to supplement that with a state infrastructure initiative as well.”⁷ Iowa Representative Rants (R-Sioux City) does not expect the gas tax to be increased by the Legislature this year, writes Rod Boshart in *The Cedar Rapids Gazette*, “given that several GOP incumbents who supported an increase [in the gas tax] were defeated in the 2008 election.”⁸ However, House Speaker Murphy (D-Dubuque) “is open to raising the gas tax as a way to get Iowans back to work.”⁹

A motor fuels tax does follow the principle that the cost of our road system should be paid by those who use the road system. In recent years, however, concerns have been raised that as more hybrid and fuel efficient vehicles are on the roads, those drivers are contributing less toward road maintenance through the gasoline tax. The University of Iowa Public Policy Center is conducting a national study of a mileage-based road user charge system, to determine if such a system is feasible, cost effective, and would be accepted by drivers. Eastern Iowa (Delaware, Dubuque, Linn, Jones, Jackson, Cedar, Clinton, Scott, and Muscatine Counties) is one of six sites around the U.S. chosen for this federally-funded study. The results of this study will be available after the project concludes in 2010.¹⁰

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The state of Oregon is also experimenting with the idea of taxing drivers by the miles driven rather than the amount of gasoline purchased. Oregon's Road User Fee Task Force conducted a year-long pilot program with just under 300 vehicles to "study the feasibility of replacing the gas tax with a mileage-based fee based on miles driven in Oregon and collected at fueling stations."¹¹ The Task Force found that the concept is viable, with "91 percent of pilot program participants sa[ying] that they would agree to continue paying the mileage fee in lieu of the gas tax if the program were extended statewide."¹²

There are some concerns that would have to be addressed before implementing a mileage-based transportation tax. Oregon found that the cost to retrofit vehicles with the necessary equipment was expensive, so the program would most likely have to grandfather older cars, phasing in the switch when a new car is purchased. Privacy concerns also stem from the collection of mileage data. In the Oregon pilot program, "no specific vehicle point location or trip data could be stored or transmitted"¹³ by the equipment in the vehicles. There is also the question of other states wanting to collect taxes from Oregon citizens for miles driven in those states, as well as concerns that a state might adopt this tax on top of the current gas tax rather than as a replacement. Oregon Governor "Ted Kulongoski has included development money for the tax in his budget proposal,"¹⁴ so it will be interesting to watch Oregon address these issues if they continue with the mileage-based tax.

States are also beginning to create Public-Private Partnerships (PPPs) to help with transportation funding shortfalls. States such as Illinois and Indiana have created PPPs by leasing portions of their toll roads to private companies. The states receive funding upfront to tend to their other transportation projects, while the private company receives the tolls collected – and thus has an incentive to keep the toll road well-maintained to attract drivers. In September, Chicago Mayor Richard Daley announced a PPP "for a 99-year lease of Midway Airport in return for \$2.5 billion."¹⁵

Whether through wasteful spending, weather conditions, or rising costs, our transportation needs outweigh the available funding, and "traditional revenue sources are not going to come close to closing the gap."¹⁶ Our elected officials will have to start thinking outside the box for alternatives to fund our transportation needs, while also acting as careful stewards of those funds, 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 are spent wisely, not wasted.

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.

²"TIME-21 Funding Analysis," A report to the Iowa Legislature, per Section 26, Senate File 2420, 82nd General Assembly, prepared by the Iowa Department of Transportation, December 31, 2008, p. 20.

³National Surface Transportation Infrastructure Financing Commission, <<http://financecommission.dot.gov/>> (January 8, 2009).

⁴"Less driving spurs calls for increase in gas tax," *The Cedar Rapids Gazette*, January 3, 2009, p. 1A.

⁵Fred Love, "Culver still against gas tax increase," *The Cedar Rapids Gazette*, January 6, 2009, p. 3B.

⁶"Iowa Tax/Fee Descriptions and Rates," Iowa Department of Revenue, <<http://www.state.ia.us/tax/taxlaw/taxtypes.html>> (January 8, 2009).

⁷Love.

⁸Rod Boshart, "Rebuilding a state," *The Cedar Rapids Gazette*, January 7, 2009, pp. 1A & 6A.

⁹Ibid.

¹⁰"Mileage-based Road User Charge Study FAQ's," University of Iowa Public Policy Center, <<http://www.roaduserstudy.org/faq.aspx>> (January 9, 2009).

¹¹James M. Whitty, "Oregon's Mileage Fee Concept and Road User Fee Pilot Program," Final Report, Oregon Department of Transportation, November 2007, p. vi.

¹²Ibid.

¹³Ibid, p. vii.

¹⁴"Oregon may tax vehicles on mileage instead of gas," *The Cedar Rapids Gazette*, January 3, 2009, p. 9B.

¹⁵Leonard C. Gilroy, AICP, "Don't Count the Private Sector Out in Infrastructure," *Jefferson Journal Commentary*, Reason Foundation, October 21, 2008, <http://www.reason.org/commentaries/gilroy_20081021b.shtml> (January 7, 2009).

¹⁶Ibid.

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