



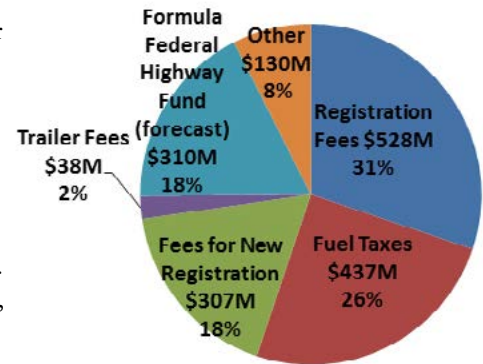
# Iowa League of Cities Transportation Infrastructure Funding

## Local Transportation Funding in Brief

Cities recognize that local transportation systems carry great importance not only for mobility and commerce, but also for public safety, quality of life, community vitality, and economic development. While the importance of maintaining quality and safe transportation systems is widely accepted, there are many different ideas on how to achieve the level of funding necessary to support this ever-critical infrastructure.

Transportation programs in Iowa are funded by a combination of local, state and federal funds. Both federal and state transportation funding rely heavily on fuel taxes. The chart at right shows the general breakdown of state transportation fund sources, as well as transportation fund disposition. City governments receive about 15 percent of the total state transportation fund distribution (not including grants and other special funds).

### State Transportation Fund Sources



## Transportation Infrastructure Condition

- A paved road's condition deteriorates by about 40% during the first 60% of its life, and by 40% more during the next 15%. Without necessary maintenance, this deterioration process happens more quickly. Source: *Small Cities and Counties: A Practical Guide*
- 46% of Iowa's major locally and state-maintained roads and highways are either in poor or mediocre condition. Source: *American Society of Civil Engineers*
- 38% of Iowa's major urban highways are congested, which contributes to both wasted time and fuel. Source: *TRIP*
- 27% of Iowa bridges are in need of repair, improvement or replacement, including 22% rated as structurally deficient. Iowa ranks as the third highest share of structurally deficient bridges in the U.S. Source: *TRIP*
- The Federal Highway Administration estimates that each dollar spent on road, highway and bridge improvement results in an average benefit of \$5.20 in the form of reduced vehicle and road maintenance costs, reduced delays, reduced fuel consumption, improved safety, and reduced emissions as a result of improved traffic flow.



According to the Iowa Department of Transportation (IDOT), as of 2013, there were 114,819 miles of public roads in Iowa. Of those, 16,509 are considered municipal public roads.



In 2013, there were 31.5 billion vehicle miles traveled on Iowa's roads. This represents about 10% of total road travel in the US.



According to the IDOT, vehicle travel on Iowa's highways has increased steadily by more than 37% from 1990-2010. New local road mileage increased by about 26% over the same time period. The demand, use, and need for maintenance of our roadway systems has greatly increased.

## Economic Development & Use of TIF for Transportation Infrastructure

TIF (tax increment finance), in some cases, is used by cities to improve transportation infrastructure and support economic development. According to IDOT Street Finance Report data for fiscal year 2013, the amount reported from TIF for street purposes was about \$23 million.

There were 1,413 local governments reporting TIF use for "streets, roads, and bridges" in the Iowa Department of Management required Annual Urban Renewal Report (AURR). This is equal to approximately 45% of all non-revenue producing TIF projects statewide.



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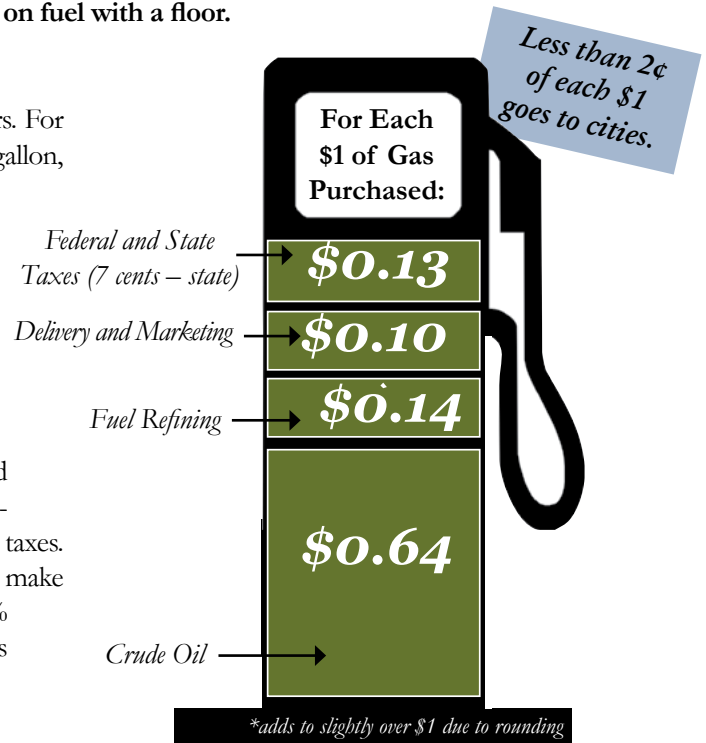
The Iowa League of Cities supports an increase to transportation infrastructure funding and recognizes that there are currently a variety of proposals that may achieve this goal. Such proposals include, but are not limited to, adjusting the fuel tax as well as implementing a state excise tax on fuel with a floor.

## → On Fuel Taxes

The state fuel tax has not been substantively changed in roughly 25 years. For comparison purposes, the average U.S. state fuel tax is 31.5 cents per gallon, while Iowa's state fuel tax rate on gasoline is 21 cents per gallon.

The IDOT estimated that for every one cent increase in fuel tax, across the board, an estimated \$23 million increase in revenues would result for transportation statewide. For every one-cent increase in gas tax, the average individual driver would pay an estimated additional \$5.78 annually (refer to the League for assumptions included).

Only a very small portion of a person's total gas purchase price goes toward their city and local road funds. The funds that actually reach city street infrastructure funds are much less than the portion that is collected through taxes. Of the 13 cents that go toward federal and state taxes, the state taxes make up just over half. Of the state funds combined, approximately 20% reaches cities. That leaves less than two pennies on the dollar that is estimated to reach cities as revenue that can be used for local city roads.



## Local Outstanding Debt for Transportation Purposes

The IDOT collects information from cities annually in its Street Finance Report. In that report, cities report a wide variety of information related to streets and street finance, including transportation infrastructure related debt. In fact:

- For FY 2013, bonds, notes and short term loans account for about 23% of the cities' total revenues for street purposes.
- This is equal to about \$200 million of debt in that year. City expenditures including both principal and interest on street debt in the same year topped \$262 million statewide.
- Combined, about 39% of cities in Iowa currently have some outstanding debt for street purposes, as reported to the IDOT. Some local governments have issued debt because of funding shortfalls.
- From data available from the Iowa Treasurer of State Office, both the number of local governments issuing outstanding debt for transportation debt, and the total amount of related debt has been increasing over time (see chart below). In 2013 there were 585 self-reported outstanding local debts related to transportation. These debts totaled \$1.1 billion for 2013. This represents roughly a 148% increase in total outstanding debts since what was reported in 2001.

**Outstanding Local Government Debt: Transportation, by Recorded Debt Total (\$)**

