

Table 11 - Potential RUTF and TIME-21 Fund Revenue Sources

Type of Financing	Description	Advantages	Disadvantages	Collected from out-of-state drivers?
Sales Tax	<p>Assess sales tax on fuel purchases.</p> <p>A one percent sales tax on fuel would generate approximately \$65 million per year based on 2010 fuel usage and prices.</p>	<ul style="list-style-type: none"> • Provides a mechanism to apply local option sales tax on the purchase of fuel. • Requires less frequent legislative action on fuel tax because revenues will increase as the price of fuel increases. 	<ul style="list-style-type: none"> • Requires enabling legislation. • Administration and collection system would need to be developed. • Because tax is tied to the price of fuel, the amount of tax could change significantly if fuel prices experience large fluctuations. 	<ul style="list-style-type: none"> • Yes
Severance Tax on Ethanol	<p>A tax collected by the state either based on a percent of value or a volume-based fee on resources extracted from the earth. Typically charged to producer or first purchaser. To minimize the impact on Iowa drivers, the added cost of the severance tax could be offset with a reduction in fuel tax rate on ethanol-blended fuel.</p> <p>Potential revenue is dependent on rate set and volume produced. Assuming the fuel tax rate is lowered for ethanol-blended fuels to offset the addition of a severance tax, an estimate can be developed. The estimated CY 2010 ethanol production used outside of Iowa is 3.4 billion gallons. A severance tax of one cent per gallon would have generated \$34 million in CY 2010.</p>	<ul style="list-style-type: none"> • Creates opportunity to generate revenue from sources outside of Iowa. • Compensates for roadway deterioration resulting from usage of system for the production of ethanol. 	<ul style="list-style-type: none"> • Requires enabling legislation. • Administration and collection system would need to be developed. • Potential regulatory issues. • Could put the producer at competitive disadvantage. 	<ul style="list-style-type: none"> • Yes
Per-Mile Tax	<p>Tax based on the vehicle miles traveled within a state.</p> <p>Based on the vehicle miles traveled in Iowa in 2009 (31.3 billion), a one cent per-mile fee would generate \$313 million per year.</p>	<ul style="list-style-type: none"> • Direct measure of actual costs incurred. • Highly related to needs for capacity and system preservation because as travel and revenue increases, the need for capacity and preservation improvements increase. • May be graduated based on vehicle size, weight, emissions or other characteristics. 	<ul style="list-style-type: none"> • Requires enabling legislation. • Administration and collection system would need to be developed. • Potentially high administrative, compliance and infrastructure costs. • Technology needs to mature. • Privacy concerns. 	<ul style="list-style-type: none"> • Yes
Transportation Improvement District	<p>Geographic areas are defined and tax imposed within the area to fund transportation improvements with voter approval.</p> <p>Revenue potential varies.</p>	<ul style="list-style-type: none"> • Satisfies urgent infrastructure needs, which exceed available finances. • Encourages state, local and private-sector partnerships. • Users of the system decide to implement. 	<ul style="list-style-type: none"> • Requires enabling legislation. • Administration and collection system would need to be developed. • May be seen as an equity issue. 	<ul style="list-style-type: none"> • Yes, if out-of-state driver makes taxable purchases within geographic area.

Type of Financing	Description	Advantages	Disadvantages	Collected from out-of-state drivers?
Tolling	<p>Implementing fees to travel on road segments.</p> <p>Revenue potential varies based on length of tolled segment and toll rate, but a typical rate is seven cents per mile.</p>	<ul style="list-style-type: none"> • Specific road segments/corridors generate their own revenue. 	<ul style="list-style-type: none"> • Requires enabling legislation. • Expensive to initiate due to needed capital investment. • Ongoing administrative costs. • Requires sufficient traffic levels to generate enough revenue to pay for the costs of tolling, along with the maintenance and construction cost; Iowa may not have any reasonable corridors meeting requirements. • Public resistance may lead to adjustments in travel patterns to avoid tolls. • There are federal restrictions in some cases. 	<ul style="list-style-type: none"> • Yes
Development Impact Fees	<p>A fee charged to developers for off-site infrastructure needs that arise as a result of new development.</p>	<ul style="list-style-type: none"> • Additional source of funding to off-set increased needs due to new development. • Places the cost of improvement on the development that caused the need. 	<ul style="list-style-type: none"> • Typically a local jurisdiction fee and is difficult to apply statewide. • Potential negative impact on future development. • Can be difficult to establish and administer. • Can be an equity issue when costs are passed on to homeowners in the case of a housing development. 	<ul style="list-style-type: none"> • No
Bonds for Primary Road System Improvements	<p>A written promise to repay borrowed money at a fixed rate on a fixed schedule. Can be limited to very specific situations, such as projects that exceed a certain dollar threshold, projects that cannot easily be phased over time (border bridges) and/or projects that can reasonably generate sufficient revenue (tolls) to service their own bond debts.</p> <p>Revenue potential varies.</p>	<ul style="list-style-type: none"> • Allows earlier and faster construction of some facilities. • Satisfies urgent infrastructure need, which exceeds available finances. • Avoids inflationary construction costs. 	<ul style="list-style-type: none"> • Requires enabling legislation. • Requires state or community to extend payments for long periods of time. • Does not generate new money. • May cost more over time due to bond interest. • Requires existing annual resources be used for debt service rather than new needs. • May have a negative impact on statewide transportation decision-making. • Pose staffing issues for government road agencies and road consultants/contractors due to significantly changing annual project expenditure levels and cyclical nature. 	<ul style="list-style-type: none"> • Depends on funding mechanism that funds bond repayments.

Type of Financing	Description	Advantages	Disadvantages	Collected from out-of-state drivers?
Public-Private Partnerships (PPPs)	<p>Contractual agreements formed between a public agency and private sector entity that allow private participation in the delivery of transportation projects in one or more of the following areas: project design, construction, finance, operations, and maintenance. Can either be user-fee based (tolls) or non-user-fee based. The non-user-fee based types of PPPs are most viable in Iowa and include design-build and design-build-finance.</p> <p>Revenue potential varies.</p>	<ul style="list-style-type: none"> • Expedited completion compared to conventional delivery methods. • Avoids inflationary construction costs. • Delivery of new technology developed by private entities. • Purchase of private resources and personnel instead of using constrained public resources. 	<ul style="list-style-type: none"> • Requires enabling legislation. • May be less efficient. • If user-fee based, could lead to higher tolling than under a public-only project. • May limit ability for in-state contractors to participate in construction depending on type of project. 	<ul style="list-style-type: none"> • Depends on mechanism implemented by private owner but would likely generate funding from out-of-state drivers
	<p>Mechanism: Privatization of infrastructure. Typically involves the long-term leasing of toll roads to private sector for up-front payment.</p> <p>Revenue potential varies.</p>	<ul style="list-style-type: none"> • Influx of one-time capital. • Shifts responsibility to contractor. 	<ul style="list-style-type: none"> • Requires enabling legislation. • Administrative process needed to let, execute, contract, and monitor performance. • Requires high-usage corridor to be marketable; Iowa may not have any candidates. • Built-in toll increases. • Potentially higher tolls to make project profitable. These tolls may result in system inefficiencies as traffic utilizes non-toll roads in lieu of using toll roads. • Requires very long-term decision that removes flexibility. • Very limited ability for in-state contractors to participate in construction. 	<ul style="list-style-type: none"> • Depends on funding mechanism implemented by private owner but would likely generate funding from out-of-state drivers.
	<p>Mechanism: Enable design-build contracting. Design-build involves contractual agreements whereby a single bid is accepted for both the design and construction of a project. A variation of this is the design-build-operate-maintain contract whereby a private contractor is also responsible for operation and future maintenance. 45 states have statutory or administrative provisions that authorize design-build fully or with certain limitations.</p>	<ul style="list-style-type: none"> • Intended to accelerate construction schedule since some activities can occur simultaneously. • Intended to allow construction to begin sooner • Reduces administrative burden by having one contract and point-of-contact. • Can result in reduced construction costs. 	<ul style="list-style-type: none"> • Requires enabling legislation. • May impact ability of in-state contractors to participate in construction. • Not appropriate for all types of projects. • Potential for cost overruns if scope of work is not properly defined up front. 	<ul style="list-style-type: none"> • N/A

Container Tax	<p>Fee imposed on containers moving through a designated geographic area.</p> <p>Revenue potential varies based on chosen rate and transportation modes to which the container tax would be applied.</p>	<ul style="list-style-type: none"> • Creates opportunity to generate revenue on shipments passing through the state. 	<ul style="list-style-type: none"> • Requires enabling legislation. • Does little to promote efficiency • Ongoing administrative costs. 	<ul style="list-style-type: none"> • Yes
Imported Oil Tax	<p>A tax charged on imported oil based on either the volume or value of the imported oil.</p> <p>Revenue potential varies.</p>	<ul style="list-style-type: none"> • Could help promote U.S. energy production. 	<ul style="list-style-type: none"> • Requires enabling legislation. • Imported oil can be used for purposes other than transportation. • Could result in larger free trade issues. 	<ul style="list-style-type: none"> • Yes
Tire Tax on Light Duty Vehicles	<p>A tax on light-duty vehicle tires. Could be applied to both new vehicle tires and replacement tires.</p> <p>Revenue potential varies.</p>	<ul style="list-style-type: none"> • Sustainable source of funds. • Under normal circumstance, a strong link exists between tire wear and system usage. 	<ul style="list-style-type: none"> • Requires enabling legislation. • Would not generate significant revenues. • May have safety ramifications by discouraging the replacement of worn tires. 	<ul style="list-style-type: none"> • Yes
Alternative Fuel Vehicle Tax	<p>A tax or additional registration fee charged on electric vehicles. Replaces lost fuel tax revenues associated with the use of electric vehicles.</p> <p>Revenue potential varies.</p>	<ul style="list-style-type: none"> • Ensures that electric vehicles pay towards operations and maintenance of the highway system. 	<ul style="list-style-type: none"> • Requires enabling legislation. • Potentially discourages the use of emerging efficient vehicle technologies. 	<ul style="list-style-type: none"> • No