

Date: February 10, 2021

To: City Public Works Directors/Engineers/Clerks
County Engineers
Metropolitan Planning Organizations
Regional Planning Affiliations

From: Stu Anderson, Director
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Subject: COVID-19 Impacts on Highway/Road/Street Funding and Relief Funding Allocation Recommendation

It's been a few months since we've provided a COVID-19 update and we can report the COVID-19 impacts on state Road Use Tax Fund (RUTF) revenue continues to be relatively minor and stable. However, the biggest news to report is the passage and signing in December 2020 of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA). In addition to providing another round of federal relief to transit agencies and airports, CRRSAA includes \$121.9 million of federal highway COVID-19 relief to Iowa. **The primary purpose of this memo is to present to you our recommendation for how the Iowa Transportation Commission (Commission) should allocate those funds and to seek your input.**

COVID-19 Relief Funding Allocation Recommendation

As we developed our funding allocation recommendation our goal was to accomplish the following priorities:

- Meet congressional intent of backfilling lost state transportation revenues by allocating the funding using the RUTF formula
 - DOT: 47.5 percent
 - County: 32.5 percent
 - City: 20 percent
- Allocate funding to all cities and counties
- Disperse the funding to local jurisdictions as quickly as possible
- Require no match
- Allocate a portion to address lost state revenue for trail development

In order to accomplish those priorities, we recognized the regular federal-aid process for the highway funding distribution would fall short in our priority to assure every county and city received a portion of the relief funding and our priority in getting the funding dispersed as quickly as possible. Therefore, after an off-the-top for trail development, our recommendation is to utilize the existing Iowa Code authority to swap federal funds for state funds to allocate the highway portion of the relief funding.

Under this recommendation, all the highway portion of the relief funding would be utilized by Iowa Department of Transportation (DOT) on Iowa DOT projects. Iowa DOT will then allocate an equivalent

amount, on a dollar-for-dollar basis, from the Primary Road Fund to the Secondary Road Fund, Farm-to-Market Fund, and City Street Construction Fund using the RUTF formula. Those allocations would then be distributed to each county and city in Iowa using the regular RUTF allocation formulas. It is our goal to deposit these funds to the city and county accounts as part of the normal monthly deposit of RUTF revenue. Below is the table of how the relief funds would be allocated and attached are two files that list our initial estimates of the amount of funding that would be allocated to each individual city and county.

Category	Percent	Amount
Trails		\$5.0 million
Highway		
DOT	47.5 percent	\$55.5 million
County		
Secondary Road Fund	24.5 percent	\$28.6 million
Farm-to-Market Fund	8.0 percent	\$9.4 million
City Street Fund	20.0 percent	\$23.4 million
Total		\$121.9 million

Allocations to Transportation Management Areas (metro areas over 200,000 population)

Like regular federal Surface Transportation Block Grant funding, CRRSAA requires a minimum allocation of relief funding to Transportation Management Areas which in Iowa includes the Council Bluffs, Des Moines, and Quad Cities metropolitan areas. Using the RUTF formula will result in the city and county jurisdictions in those metropolitan areas to receive Primary Road Fund revenue in excess of the minimum CRRSSA allocations. Iowa DOT will work with those three Metropolitan Planning Organizations to identify currently programmed Iowa DOT projects in their area to use the federal relief funds.

Swap Opt-Out

The recommended process for allocating the relief funds will not be able to accommodate a request for a jurisdiction to opt-out of receiving Primary Road Funds instead of federal relief funds up front. However, if a jurisdiction insists on receiving federal relief funds, we will work with them directly to identify a process for them to return their allocation of Primary Road Funds and in turn allocate a portion of federal relief funding that will be programmed and developed through the regular federal-aid process.

Trails Funding

The allocation of relief funding for trails is intended reflect the COVID-19 impact on current and future state appropriations for trails. As you may know, the State Recreational Trail program received a lower than normal appropriation in Fiscal Year 2021 due to COVID-19 impacts on Rebuild Iowa Infrastructure Fund revenue which comes primarily from gaming taxes.

We anticipate a one-time application cycle administered by Iowa DOT and awarded by the Commission. These will remain federal funds and awarded trail projects will be administered as federal-aid projects.

Next Steps

This allocation recommendation was presented to the Commission at their February 9 workshop and they agreed the recommendation should be distributed to stakeholders for input. This memo serves as our request for your input and questions. **Please send your input and questions to Stu Anderson at stuart.anderson@iowadot.us by Friday, February 26.**

Our goal is to present a final recommendation to the Commission at their March 9 meeting and secure their approval to proceed quickly to implementation.

COVID-19 Funding Impact Update

Reduced fuel tax revenue due to reduced passenger vehicle travel remains the only negative impact on state RUTF revenue. This has been partially offset by sustained and increased freight traffic and sustained and, in some cases, increased revenue from annual vehicle registration fees and fees for new registration. Increases in vehicle sales and higher vehicle prices have provided unexpected increases in the fee for new registration revenue which is the five percent fee paid when a vehicle is purchased.

December/January/February Allocation of RUTF

In our last update, we forecast the RUTF allocations for December and January would be stable but a little lower than the August allocation. The actual allocations for December and January were significantly better than forecast and exceeded the August allocation by about 10 to 15 percent. Some of that was due to revenue coming in better than expected and some of that was due to fuel tax deposit timing.

With the February allocation, you will see a significantly lower amount which is most likely due to fuel tax deposit timing. The February allocation will be down about 25 percent from the January allocation.

March/April/May/June Allocations of RUTF - Forecast

We continue to expect relatively stable monthly allocations of RUTF but likely at levels more like the allocation received in February. However, we may continue to see fluctuations from month-to-month due to timing of RUTF deposits.

Overall Estimated COVID-19 Impacts on RUTF

At this time, we continue to report our estimate of COVID-19 impacts on RUTF from June 2020 through June 2021 as being a \$50 million reduction in RUTF from our forecast (as a reminder, we begin with June 2020 because that was the first month of COVID-19 impacts due to a lag in timing from revenue collection to allocation). However, based on current trends, the impact may be closer to a \$25 million reduction in RUTF due to COVID-19.