

Road Use Tax Fund Efficiency Report

Iowa Department of Transportation

Meeting Iowa Gov. Terry Branstad's \$50 million efficiency directive aimed at reducing the cost of the management of Iowa's roadway system and directing the savings toward infrastructure investments

January 2012



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Forward

In the November 2011 report issued by the Governor's Transportation 2020 Citizen Advisory Commission (CAC), the commission recommended the Iowa Department of Transportation (DOT), at least annually, convene meetings with the cities and counties to review the operation, maintenance and improvement of Iowa's public roadway system to identify ways to jointly increase efficiency. In response to this recommendation, Gov. Branstad directed the Iowa DOT to begin this effort immediately with a target of identifying \$50 million of efficiency savings that can be captured from the \$1.2 billion of Road Use Tax Funds (RUTF) provided to the Iowa DOT, cities and counties to administer, maintain and improve the public roadway system. This would build upon past joint and individual actions that have reduced administrative costs and resulted in increased funding for system improvements. Efficiency actions should be quantified, measured and reported to the public on a regular basis.

Beyond the discussion of identifying funding solutions to our road and bridge needs, it is critical that all jurisdictions that own, maintain and improve the nation's road and bridge systems demonstrate to the public these funds are utilized in the most efficient and effective manner. This requires continual innovation in all aspects of transportation planning, design, construction and maintenance - done in a transparent manner to clearly demonstrate to the public how their funds are being utilized.

"These are trying economic times for many Iowans. Before we ask for an increase in the fuel tax, we must find ways to more effectively utilize current revenue in the Road Use Tax Fund. We must spend dollars we receive more efficiently and streamline operations to maximize every dollar," Iowa Gov. Terry Branstad.

Nov. 9, 2011

Executive summary

The Iowa DOT has identified 13 efficiency measures separated into two distinct categories – Program Efficiencies and Partnership Efficiencies. The total value of the efficiency measures is \$50 million. Many of the efficiency items will need input, refinement and partnership from cities, counties, other local jurisdictions, and stakeholder interest groups. The Iowa DOT has begun meetings with many of these groups to help identify potential efficiency measures and strategies for moving forward. These partnerships and discussions will continue through implementation of the efficiency measures. Dependent on the measures identified, additional action may be required by the legislature, Iowa Transportation Commission, and/or other bodies to implement the action. In addition, a formal process will be developed to quantify, measure and report the results of actions taken on a regular basis.

Summary of efficiency measures

Efficiency opportunity	Estimated savings	Action or involvement by others required
Program Efficiencies - \$38.5 million		
<p>Post-letting project costs Implement budgetary management policies at the Iowa DOT that are focused on the delivery of projects ahead of schedule and under budget. Among many benefits, this would free up significant dollars held in reserve to cover project change and extra work orders.</p>	\$10 million annually	Any changes to the five-year Transportation Improvement Program will require review and approval of the Iowa Transportation Commission Involves work with the construction industry
<p>Rest areas and commercial motor vehicle weigh stations Review investments in Iowa’s interstate rest areas and commercial motor vehicle weigh stations to assure investments are made at the right time and right level.</p>	\$1.5 million annually	Requires Iowa Transportation Commission approval if recommendations involve changes to the Iowa Transportation Improvement Program
<p>Revenue collection Implement mechanisms to assure collection of state road fund revenue is done uniformly, effectively and efficiently, while maximizing revenue collected. The Iowa DOT administers the collection of several components of state road funding.</p>	\$8 million annually	Legislation may be required to change Iowa Code 321.105A Changes to the Iowa Administrative Code may be necessary

<p>Statewide roadside improvements Review and prioritize investments in roadside vegetation improvements along the Primary Highway System.</p>	\$1 million annually	<p>Requires Iowa Transportation Commission approval</p> <p>Involves Iowa Department of Natural Resources</p>
<p>Statewide traffic control devices Review investments in statewide traffic control devices on the Primary Highway System.</p>	\$1 million in one-time savings	Requires Iowa Transportation Commission approval
<p>Right of way parcels Review Iowa DOT-owned right of way to identify parcels that are no longer needed so they can be sold.</p>	\$1 million annually	Internal to Iowa DOT
<p>Asset management Implement, through a cooperative effort between the Iowa DOT and local jurisdictions, an asset management tool and process across all jurisdictions.</p>	\$11 million in one-time savings	Involves local agencies
<p>Highway project concepts Refine projects in the 2012-2016 Iowa Transportation Improvement Program by assessing project concepts where project scope has expanded beyond the primary goal of the project. This study will result in additional funds being available for other projects.</p>	\$5 million in one-time savings over five years	Iowa Transportation Commission action may be required depending on the recommendation
Partnership Efficiencies – \$11.5 million		
<p>Surface Transportation Program (STP) Develop, in conjunction with the regional planning affiliations and metropolitan planning organizations and other stakeholder groups, a process to exchange STP federal funds for Primary Highway System funds for the purpose of reducing the number of small projects that have to meet onerous federal requirements.</p>	\$5 million annually	<p>Legislative action required</p> <p>Requires Iowa Transportation Commission approval</p> <p>Involves consultation with cities, counties, regional planning affiliations, metropolitan planning organizations, Associated General Contractors of Iowa and other groups</p>

<p>Local jurisdiction partnerships for roadway maintenance Review, in partnership with local jurisdictions, opportunities to maximize resources utilized for roadway maintenance activities.</p>	\$0.5 million annually	Involves agreements with local agencies
<p>Iowa DOT facilities, fleet and printing operations Review Iowa DOT facilities, fleet and printing operations to assess opportunities to reduce, consolidate and/or privatize.</p>	\$0.5 million annually	Internal to the Iowa DOT
<p>Regulatory permitting process Partner with regulatory permitting agencies to streamline the permitting process to reduce time and cost.</p>	\$0.5 million annually	Involvement of multiple state and federal agencies
<p>Motor vehicle enforcement Facilitate Iowa DOT and Iowa Department of Public Safety integration in related mission areas to capitalize on expertise; thus, ensuring the success of both departments.</p>	\$5 million annually	Legislative action required
<p>Total annual savings: Total one-time savings:</p>	<p>\$33 million \$17 million</p>	

DETAILS AND IMPLEMENTATION STEPS

I. Program efficiencies

Post-letting project costs

Deliver highway construction projects ahead of schedule and under budget. Past practice has allowed extra work orders and change orders to construction projects. Projects would have contingency built into project budgets. The five-year Transportation Improvement Program includes a line item for “Post-letting project cost” of \$20 million per year, which equates to post-letting project cost amounts of 4 percent.

Estimated savings - \$10 million annually

Implementation steps

- Improve project cost estimating processes
- Identify and implement measures to reduce change orders by working with the construction industry
 - Emphasize contract modification control with construction administration staff
 - Issue a directive to Iowa DOT district personnel to not add work beyond project limits
 - Continue efforts to improve highway plan quality and constructability
 - Perform annual evaluation of contract modifications and reasons
 - Improve understanding and identification of financial impact of risks during project development
- Implement with June adoption of the 2013-2017 Transportation Improvement Program, which requires review and approval by the Iowa Transportation Commission

Rest areas and commercial motor vehicle weigh stations

The Iowa DOT currently owns, operates and improves interstate safety rest areas and commercial motor vehicle weigh stations. This strategy involves a review of investments in those rest areas and weigh stations to assure investments are made at the right time and right level; and a reduction in annual rest area maintenance from \$4.2 to \$3.7 million annually.

Estimated savings - \$1.5 million annually

Implementation steps

- Conduct an inventory of motorist services (public and private) available along the Interstate Highway System; utilize information to develop a rest area management plan and potential alternatives for service delivery
 - Review current planned rest area improvement activities in the five-year Transportation Improvement Program for efficiencies and right-sizing
 - Develop a long-term plan for commercial vehicle safety utilizing virtual weigh stations
 - Review traveler needs and develop a rest area plan addressing services, location, replacement schedule and rest areas
 - Review 2006 Iowa Transportation Commission order on rest areas and modify as per Commission direction (changes to the five-year Transportation Improvement Program require review and approval by Commission)
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Revenue collection

There are functions within the Iowa DOT to collect state road revenue (e.g. driver's license fees, fees for new motor vehicle registration, annual motor vehicle registration, etc.). Implement mechanisms to assure collection of state road fund revenue is done uniformly, effectively and efficiently, while maximizing revenue collected. In addition, there are areas where partnering with the private sector may provide a revenue stream to support Iowa DOT operations. Examples include:

- Assure there is no fraud in the reporting of vehicle purchase price and full "fee for new registration" is collected
 - Comparisons of purchase prices reported to value databases suggest significant under reporting of purchases prices, resulting in significant under payment of fees for new registration. This may involve a change to Iowa Code 321.105A to determine the fee for new registration based on the value of the vehicle, rather than the purchase price. This concept is exemplified by the annual registration fee, which is set by Iowa Code 321.109 at 1 percent of the value as fixed by the department, plus 40 cents for each 100 pounds, or fraction thereof, of weight of vehicle, as fixed by the department.
- Implement online and other remote renewal of driver's licenses and other Motor Vehicle Division services that decrease the operational cost associated with revenue collection
 - Implementing online driver's license renewal could eliminate approximately 124,000 customer trips to issuance locations each year, provide more convenient service to customers and save Iowa DOT staff

more than 29,000 hours annually and county treasurers' staff more than 12,000 hours annually.

- Implement sponsorship opportunities to offset the cost of providing service and/or operating facilities; examples include:
 - The Highway Helper program
 - Rest areas
 - Driver's license station customer queue management system
- Actively monitor International Fuel Tax Agreement/International Registration Plan collections; and assure Iowa is receiving the appropriate share of collections
- Actively monitor accounts receivable to assure revenue is being collected
- Identify the value of vehicle record data provided to companies and begin charging for that data based on value
- Study fee structure for oversize/overweight permits, the majority of which have not been adjusted for 20 to 30 years
 - The study will review the accurate cost of the permit in terms of investment in information technology permit delivery systems, production of the permit, and impact of oversize/overweight loads on the road system, and include an inventory of fees assessed by surrounding states. For instance, a single-trip permit for a 120,000 pound load traveling 200 miles in Iowa costs a flat fee of \$10. A cursory review of other states indicate they use a combination of flat fee, plus factors for weight and miles traveled and charge from \$100 to \$300 for the same permit.
- Analyze changes in procedures to reduce the number of licenses issued and the number of tests conducted by at least 10 percent, with the goal beginning to eliminate unnecessary reissuances
 - This goal is premised on any changes must be safety neutral, and should include strategies for verification of validity or identity by electronic methods, to complement the concept that the card remains a permanent form of identification that may or may not carry a driving privilege, and which can be verified in real-time electronically.
- Require all SR22 (proof of insurance) and SR26 (cancellation of insurance) filings to be submitted electronically.

Estimated program efficiency savings - \$8 million annually

Implementation steps

- Identify opportunities and recommend changes
- Identify and implement Iowa Code and/or Iowa Administrative Code changes necessary to implement recommendations (Legislative changes necessary to implement online renewal of driver's licenses has been included in the Iowa DOT's 2012 legislative package.)

Statewide roadside improvements

The Iowa Transportation Commission currently programs \$3.5 million per year to roadside improvements. These improvements include tree plantings and native vegetation, which will be reduced to \$2.5 million annually.

Estimated savings - \$1 million annually

Implementation steps

- Review and prioritize roadside improvement activities
 - Implement with June adoption of 2013-2017 Transportation Improvement Program, which requires review and approval of the Iowa Transportation Commission
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Statewide traffic control devices

The Iowa Transportation Commission currently programs \$7 million per year for statewide traffic control devices.

Estimated savings - \$1 million in one-time savings

Implementation steps

- Develop an integrated statewide traffic operations infrastructure plan
 - Implement with June adoption of the 2013-2017 Transportation Improvement Program, which requires review and approval by the Iowa Transportation Commission
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Right of way parcels

The Iowa DOT owns significant amounts of right of way (ROW) and purchases ROW for roadway improvements. The Iowa DOT will aggressively review existing ROW and identify parcels that are not needed so they can be sold. The Iowa DOT will also review current planned highway projects to ensure ROW needs are minimized.

Estimated savings - \$1 million annually

Implementation steps

- Modify Iowa DOT performance goal for tracking and sales of excess ROW (Over the last five fiscal years, an annual average of \$2.18 million of excess ROW was sold.)
- Identify and implement a process to review ROW acquisition to assure only required property is purchased (The current disposal process is being revised by incorporating a global information system database to better identify and monitor excess ROW.)

- Study and assess the use of contractor-provided borrow as an option to Iowa DOT-provided borrow
 - Eliminate corridor preservation at \$500,000 annually with the June adoption of the 2013-2017 Transportation Improvement Program, which requires review and approval of the Iowa Transportation Commission
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Asset management

Asset management is a strategic and systematic process of operating, maintaining, upgrading and expanding physical assets effectively throughout their lifecycle. The process focuses on business and engineering practices for resource allocation and utilization, with the objective of better decision-making based on quality information and well-defined objectives. The Iowa DOT currently allocates almost \$200 million annually to pavement and bridge stewardship projects. Implementing a fully integrated asset management system supports the identification of most efficient timing and selection of improvements to maximize the life of infrastructure and benefits to the public with the potential to generate significant savings.

The Iowa DOT will work closely with local jurisdictions to implement an asset management tool and process across all jurisdictions. Local jurisdictions have the majority of the public roadway system in Iowa; therefore, through this effort there is potential to generate significant savings at the local level.

Estimated savings - \$11 million one-time savings

Implementation steps

- Charge the Asset Management Technical Committee (AMTC) with the task of identifying opportunities, recommending changes and estimating cost savings
 - Present the AMTC's recommendations to the Iowa DOT Management Team and DOT director for consideration
 - Provide asset management training to local jurisdictions
 - Survey local jurisdictions on status of asset management practices
 - Implement a pilot project with a couple of local jurisdictions to implement state-of-the-art asset management practices
 - Identify statewide local jurisdiction asset management recommendations and implementation strategies
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Highway project concepts

Review the projects in the 2012-2016 Transportation Improvement Program to assess project concepts where project scope has expanded beyond the primary goal of the project. This study will result in additional funds being available for other projects.

Estimated savings - \$5 million one-time savings (over five years)

Implementation steps

- Place greater emphasis on average annual daily traffic (AADT), ROW impacts, crash history and future infrastructure improvements, rather than using a one-size-fits-all approach
- Seek review and approval of any changes to the five-year Transportation Improvement Program by the Iowa Transportation Commission

DETAILS AND IMPLEMENTATION STEPS

II. Partnership efficiencies

Surface Transportation Program (STP)

State of Iowa provides approximately \$75 million annually in federal STP funds to regional planning affiliations (RPAs) and metropolitan planning organizations (MPOs) for programming. This process results in many small projects that have to meet onerous federal requirements. The Iowa DOT, in conjunction with the RPAs and MPOs and other stakeholder groups will develop a process to exchange federal funds for Primary Road Fund monies. This proposal has the potential to reduce overall project costs (project development, administration and construction) currently incurred by local governments by 15 percent.

Estimated savings - \$5 million annually

Implementation steps

- Identify and recommend Iowa Code change to permit use of Primary Road Fund monies on city and county roads in exchange for other funds (requires legislative action)
- Consult with cities, counties, RPAs, MPOs, Associated General Contractors of Iowa, and other groups to develop a process for exchanging federal funds with Primary Road Fund monies
- Seek review and approval of any changes to the five-year Transportation Improvement Program by the Iowa Transportation Commission

Local jurisdiction partnerships for roadway maintenance

The Iowa DOT, in partnership with local jurisdictions, will review opportunities to maximize resources utilized for roadway maintenance activities. For example, winter maintenance of some Primary Highway System roads could potentially be contracted to the counties in those situations where there would be operational savings and it is mutually agreeable to both parties. Currently, the Iowa DOT has partnered with some cities for winter maintenance effectiveness, with cities providing winter maintenance of Primary Highway System road extensions in their jurisdictions.

Estimated savings - \$500,000 annually

Implementation steps

- Implement, in conjunction with local jurisdictions, a process that actively assesses partnership opportunities
 - Implement 28E agreements for upcoming winter season (potential to pilot in first year and expand based on success of pilot)
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Iowa DOT facilities, fleet and printing operations

The Iowa DOT has facilities across Iowa that support operational functions. This includes maintenance facilities, driver’s license stations, construction residency offices, district offices, materials laboratories, etc. A study is necessary to identify:

- Opportunities for consolidation of facilities, to reduce costs in the long-term and support further integration of Iowa DOT personnel.
- Materials laboratory functions that can be consolidated or handled through alternative methods.
- A consistent and uniform approach to the purchase of snow removal and other heavy-duty vehicles.
- A plan, developed in partnership with stakeholder groups, for elimination of printing of highway project plans and to provide electronic plan documents.

Estimated savings - \$500,000 annually

Implementation steps

- Develop a five-year facilities consolidation plan
 - Identify budget impacts and include appropriate requests in future departmental budget requests
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Regulatory permitting process

The process to acquire state and federal permits for state and local roadway projects can be burdensome and time consuming. The Iowa DOT will partner with regulatory permitting agencies to streamline the permitting process to reduce time and cost.

Estimated savings - \$500,000 annually

Implementation steps

- Identify, in partnership with local jurisdictions, opportunities and recommend changes to decrease the project development time
 - Identify and implement Iowa Code and/or Iowa Administrative Code changes necessary to implement recommendations
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Motor vehicle enforcement

Facilitate Iowa DOT and Iowa DPS integration in related mission areas to capitalize on expertise; thus, ensuring the success of both departments. Recommend movement of motor vehicle enforcement activities to the Iowa DPS as part of 2013 legislation that would be effective in FY 2014.

Estimated savings - \$5 million annually

Implementation steps

- Implement joint operations between the Iowa DOT and Iowa DPS
- Identify and present opportunities for cost savings and efficiencies related to the movement of motor vehicle enforcement activities to Iowa DPS
- Identify and implement Iowa Code and/or Iowa Administrative Code changes necessary to implement recommendations as part of the 2013 legislative session