FROM: Sarah Okerlund, P.E.
SUBJECT: Pertinent Information Arising from COVID-19
DATE: March 31, 2020

Cities in Iowa,

In light of the current COVID-19 pandemic, Iowa DOT wanted to share information about this situation as it impacts infrastructure funding, even if we do not have all the answers to all the concerns at this time.

RUTF & Federal Revenue Impacts:

For current and projected details related to reduced State Road Use Tax Funding (RUTF) and potential Federal relief & Federal stimulus, please see a Memo to City Public Works Directors/Engineers/Clerks from Stu Anderson, Director of Iowa DOT Planning, Programming and Modal Division.

* As a side note, the Road Use Tax Fund hit the $392 Million cap in March, which means that many fees that normally flow into the RUTF have now started flowing into the TIME-21 fund instead. Furthermore, RUTF are distributed one month behind the time of their collection while the TIME-21 funds are distributed two months behind. Therefore, you will see a natural, expected decrease in your March RUT revenue because the RUT decreased, and the TIME-21 payment that “picked up the slack” lags by another month.

A few other potential impacts that are relevant to Cities include:

Property Tax Impacts:

On March 20, the Governor issued a declaration that temporarily suspended the collection of penalties and interest imposed for delinquent payment of property taxes. Essentially, this means that although property taxes will still become delinquent if paid after March 31, there will be no penalty/fee imposed for that delinquency. Therefore, many people may choose to withhold payment until after the delinquency date, resulting in delayed revenue. See the paragraph below excerpted from the Governor’s declaration.
PROPERTY TAX PAYMENTS

SECTION ONE. Pursuant to Iowa Code §29C.6(6) and 135.144(3), in conjunction with the Iowa Department of Public Health, and at the request of multiple counties, I temporarily suspend the regulatory provisions of Iowa Code § 445.39 and Iowa Admin. Code rule 701-75.3, that require the imposition of penalty and interest for delay in payment and direct that no such penalty or interest may be imposed for the duration of this proclamation and any future extension of this suspension.

Local Option Sales Tax Impacts:

Several cities receive Local Option Sales Tax as property tax relief, or additional revenue. Similar to Stu’s note regarding fees for new vehicle registrations, overall sales tax revenue may be significantly impacted. As you know, there is no sales tax on grocery type items, and people are not expected to purchase as many taxable items as they were prior to the pandemic. As a result, be aware this revenue source may also be less than anticipated.

The above items are cause for concern because they directly and immediately impact the revenue flowing into your cities. We encourage cities to exercise due caution for the remainder of the year, as this may put many cities in a precarious position. At this time, we do not know of any “backfill” or relief intended to help cities through this sudden reduction in revenue, but we will pass on any information we hear that could be helpful.

Miscellaneous Other Impacts and Notes:

* The US Department of Homeland Security has defined the transportation sector as “essential service” in emergency events.

* Permits up to 90,000 pounds are now allowed on the Interstate, by permit, and for “relief supplies”. This of course would not include regular construction equipment or other items that cities get asked to permit for loads. Cities should be aware in case they start getting asked to permit increase loads.

* There is no change in the requirement for bridge inspections to be completed every 24 months (or more frequently as required), meaning Iowa DOT/FHWA doesn’t plan to forgive late inspections due to COVID-19. If there is a hardship, then cities could certainly let Local Systems or Bridges and Structures know about it and the situation could be reassessed on a case-by-case basis.

* A GovDelivery email was sent out Friday, March 27 regarding COVID-19 and construction issues. Please refer to that email for additional guidance on the topic.

Please feel free to contact myself or Mary Beth Sprouse with further questions on any of these topics. You can also visit our Local Systems website for additional information and references, which will hopefully be up in the near future. As always, Local Systems will share any pertinent information as soon as we receive it and are able. Stay safe & wash those hands! We’ll get through this together.

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