Built to Last: Funding Our Nation’s Highways

Steve Davidson, PE
Questions for the Crowd.....

Do current gas taxes pay for all ongoing and future expenses?

How will funding shortfalls be made up?

How much do you pay due to the conditions of the roads?

Should all users pay for assets they use?

Are you willing to pay a premium for less congestion?
Our Infrastructure Needs a Funding Infusion!

Meeting Today’s Changing and Challenging Economic Times

How do states meet transportation needs with limited funding?
What are the Main Revenue Sources?

Currently, over $47b is being spent annually, $7b over revenue generated!
Indiana Revenue Sources?

INDIANA HIGHWAY TRANSPORTATION REVENUE - CURRENT

FY2014 $1,186.2

Total state revenues. Does not include federal funds. In FY2014 fuel tax revenues will total $811.8M.

*Includes 1% of Sales Tax Revenue
## Indiana Revenue Sources?

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<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas Tax</td>
<td>0.03</td>
<td>0.08</td>
<td>0.12</td>
<td>0.14</td>
<td>0.18</td>
<td>0.18</td>
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<tr>
<td>1-Mile Cost</td>
<td>$750k</td>
<td>$2m</td>
<td>$2.5m</td>
<td>$3.0m</td>
<td>$6m</td>
<td>$8m</td>
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</table>

- **IN FEDERAL GAS TAXES**: $920m
- **IN STATE GAS TAXES**: $811m

- **SINCE 1973 FUEL EFFICIENCY HAS INCREASED**: 66%
- **AND CONSTRUCTION COSTS HAVE INCREASED BY OVER**: 300%
What is the Cost to Reconstruct our Aging System?

Current interstate system is over 50 years old.....well past its design life

Key facts:
• Over 47,000 miles of interstate (built over 25 years) - $130 billion
• Only 3,000 miles current tolled
• Cost to rebuild and maintain the current system is over $500 billion
• Cost to expand and upgrade could cost as much as $2 trillion
How does IN compare?

Same story for Indiana highways.....well past their design life

Key facts:

• IN has over 1,300 miles of interstate
• Only 157 miles are tolled
• The cost to rebuild IN's interstate would be in excess of $10b without adding the necessary future capacity needed.
Why Not Tolling.....Where is it used
**What is the Value of Tolling?**

The users of the facilities pay...

<table>
<thead>
<tr>
<th>Vehicle Class</th>
<th>Rural Interstate Miles</th>
<th>Urban Interstate Miles</th>
<th>Toll Rate</th>
<th>Estimated Toll Revenue</th>
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</thead>
<tbody>
<tr>
<td>Passenger Cars</td>
<td>185,000</td>
<td>430,000</td>
<td>$0.05</td>
<td>$30,750,000,000</td>
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<tr>
<td>Trucks</td>
<td>60,000</td>
<td>50,000</td>
<td>$0.15</td>
<td>$16,500,000,000</td>
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<tr>
<td>Totals</td>
<td>245,000</td>
<td>480,000</td>
<td></td>
<td>$47,250,000,000</td>
</tr>
</tbody>
</table>

FHWA Office of Highway Policy Information

- Same result would need at least a $0.26 increase in the Federal gas tax.
- Indiana would see roughly $1b in tolling revenue annually, requiring a $0.32 increase in the state gas tax for the same result.
What is the True Cost to the Drivers?

• The average Hoosier pays between $300-$400 for automotive repairs due to the condition of the roadways.
• Average person pays approximately $200/year in fuel taxes and would pay approximately $300 in tolls
Are There Exceptions?

Users of the system would pay, but....

• Tax rebate for low-income users
• Discount rates with transponders, rather than pay by plate
• Additional revenue can help pay for parallel route upgrades
• Provides additional revenue for local agencies....provides for an improved total transportation network
Are there other benefits?

- Freed-up federal transportation dollars can be used to maintain and expand US routes.
- Freed-up state transportation dollars can be used on the local road network, helping local governments fund transportation improvements and help with economic growth.
Money can flow to other routes

- Federal Funds
- State Funds

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How does the money flow?
Why Not Toll Our Existing Infrastructure?
What are the IRP program Parameters?

3 Spots – Currently all occupied

Key facts (Interstate Reconstruction Pilot Program):

• 1998 TEA-21
• I-70 (MO), I-95 (VA), and I-95 (NC)
• No progress has been made in application process
• New rules – must act in 1 year or lose slot
• New states would likely need to show state legislation in place
Summary

USER PAYS PHILOSOPHY
PUSH LEGISLATIVE ACTIONS
LOOKING TO THE FUTURE

QUESTIONS?