

Local and State Cost Responsibilities and Sources of Revenue for Indiana Highway Needs

Editor's Note—This topic was covered by a panel of five speakers with Professor H. L. Michael presiding. State Sen. Robert E. Peterson, Rochester, chairman, Legislative Highways Needs Study Committee and State Rep. Walter H. Barbour, Indianapolis, vice chairman of the Legislative Highway Needs Study Committee introduced the topic. The following three speakers discussed the topic: Floyd Gingrich, Tippecanoe County Commissioner, the Hon. O. C. Frye, Mayor, Washington, Indiana, and W. K. Holm, chairman, Indiana Highway Users Conference.

Comments of the above speakers, except those of Frye, appear in the following pages. However, a summary of Frye's remarks can be found below in a summary of the entire program as written by Howard Gillespie of the Purdue News Bureau.

SUMMARY

Who is going to pay the cost for more and better roads was the question faced by a blue-ribbon panel of experts at the Purdue Road School Tuesday morning.

Suggestions ranged from an increase in the sales or gasoline tax, to a method of issuing bonds for highway construction, plus a more equitable distribution of funds based upon vehicle traffic.

In a lively discussion before a standing-room-only audience, the question boiled down to one of whether the highway user or the general public should foot the bill.

Highway financing will be one of the major issues to be resolved by the 1969 General Assembly, according to State Rep. Walter H. Barbour.

An annual highway investment of \$522 million during the next 20 years was proposed in the committee's preliminary report. This is \$190 million more than would be raised each year from present tax sources. The legislature must decide how much of this expanded

program can be undertaken, where the money is to come from and how it should be spent.

Over the years, highway users have paid the lion's share—nearly 90 percent—of all roadbuilding costs. It has been suggested that a much larger share of highway construction and maintenance costs be provided by general tax revenue.

State Sen. Robert E. Peterson, Rochester, chairman, Legislative Highway Needs Study Committee, said, "There is a demand for more and better service in every area of the state . . . and the needs are far greater than the funds available."

After the completion of six of 12 scheduled public meetings in various parts of the state, he said six proposals seem to have general acceptance:

(1) An increase in the state motor fuel tax rate, dedicated to highway construction.

(2) Registration fee increases for both cars and trucks and a consolidation of the number of vehicle classifications.

(3) Require classification, by function, of all roads and streets in the state.

(4) Create a special committee to permit establishment, by representatives of local government, of at least limited construction standards for local roads and streets, act as referee in disputes over allocation of funds and other related functions.

(5) Authorize town boards and counties to enter into cooperative agreements for construction and maintenance of town streets.

(6) Provide that interstate trucks pay the equivalent of the Indiana motor fuel tax on fuel used while traveling through the state.

Floyd Gingrich, Tippecanoe county commissioner, suggested that perhaps a one percent increase in the state sales tax could be allocated to schools, thus freeing other funds for highways. However, he added, "I can't see too much wrong with adding to the sales tax for highways."

He also suggested the possibility of bond issues "to get our roads in shape," and added that the increase in road construction costs over the past 20 years is more than the interest on bonds would have cost.

He said counties must receive more funds or "we will wake up to find county highways in a great big mess."

Gingrich added, "It is up to us to explain to the people of Indiana the reasons that we need more funds for our highways. The public knows that our highways lack a lot of being ideal. We know that the principal reason that the highways are not up to standard is that the money needed to bring them up to that standard is not available.

“So let’s all get together, tell our story to the people and give our legislators the support that they will need to do the things that we expect of them.”

Mayor O. C. Frye, Washington, said, “Urban areas are in definite need of more money. The legislature is going to have to come up with the proper allocation of funds for each governmental unit. This is a matter of all units of government—county, city and state—working together to create better roads than we have today.”

The final speaker on the panel, Ward K. Holm, Indianapolis, chairman, Indiana Highway Users Conference, pointed out two glaring deficiencies in highway financing: (1) the diversion of highway funds and (2) the failure of the non-user to share his portion of the costs of highways.

He said highway users in Indiana—through taxes on motor fuel, license fees, etc.—pay 86 percent of the costs of highways compared to 42 percent nationally. He added that users’ costs in Indiana are much too high compared to other states.

Holm also pointed out that Indiana is getting back only 40 cents of the dollar for money sent to the federal government for highway purposes. He asked for a constitutional amendment to prevent the diversion of highway funds.

Local and State Cost Responsibilities and Sources of Revenue for Indiana Highway Needs

PART I*

ROBERT E. PETERSON
Indiana State Senator

INTRODUCTION

The primary function of the Indiana Legislative Highway Needs Study Committee is to recommend to the 1969 legislature a sound highway finance and management program. To meet this obligation, committee members have, for the past nine months, studied the highway needs study report and, at public meetings over the state, listened to hundreds of elected officials and persons with a special interest in roads and streets. At this point, there seems to be broad support for several proposals, mixed reaction to several others, and no reaction at all to some of the needs study consultant's recommendations.

RECOMMENDATIONS BY LOCAL HIGHWAY OFFICIALS

After completing six of the 12 scheduled meetings, the committee attempted to summarize the opinions expressed at these public meetings and listed those proposals which seem to have broad public support. Six proposals seemed to have general acceptance:

1. An increase in the state motor fuel tax rate dedicated to highway construction,
2. Registration fee increases for both cars and trucks and a consolidation of the number of vehicle classifications,
3. Required classification, by function, of all roads and streets in the state,
4. Creation of a special committee, department, or other body to permit the establishment, by representatives of local government,

* Part II and Discussion I, II, and III, bearing the same title as this paper, appear in the following pages as comments of various panel members.

of at least limited construction standards for local roads and streets, coordination of the functional classification of roads and streets, action as referee in disputes over allocation of MVHA funds, and other related functions,

5. Authorization of town boards and counties to enter into cooperative agreements for construction and maintenance of town streets,
6. Provision that interstate trucks pay the equivalent of the Indiana motor fuel tax on fuel used while traveling through the state.

THE MVHA DISTRIBUTION FORMULA

Missing from this list is a change in the MVHA distribution formula. This remains a major issue and is the subject most widely discussed at the committee's area meetings. In general, reaction to this question has ranged from those who feel they have a minimum budget which should not or cannot be reduced, to other localities which emphatically state that their needs are critical and additional funds are needed, usually from an unspecified source, to avoid a major crisis in local government.

Related to this question is the demand for more and better service from the state highway commission which comes up at every meeting—only the number of the road changes from area to area. Usually mentioned is a portion of a principal or major highway, but mentioned just about as often are recreational roads and highways needed by existing, expanding, and new industries in the state.

The needs study indicated that the total needs of the various systems were all far greater than the amount of monies available but the ratio of needs among these systems was amazingly close to the existing formula.

THEORY OF COST RESPONSIBILITY

Problems arise, however, when we try to apply the economic theory of "cost responsibility." This is an attempt to place a value on the roads and streets to the vehicles using these highways and to real estate served by these roads as well as to the general public benefiting from lower cost transportation. Following this general theory, most of our heavily traveled highways more than return the public's investment in arterial highways and subsidizes local rural roads and city streets.

NEW FORMULA DISAGREEMENTS

One of the reasons it has been so difficult to agree on a new formula is the fact that there is a wide difference in opinions about the extent of responsibility between the highway user and the general public.

Indiana has a long tradition of rising highway user funds for highways only. On the other hand, there are a number of legislators as well as other governmental officials who feel that *only* highway funds should be expended for roads and streets and that general fund revenue should be reserved for use by schools and general government.

If the general public should bear a greater share of the cost for our highway systems, then we have opened the question of Indiana's whole tax structure including both local and state taxes.

Our committee has asked the Joint Highway Research Project here at Purdue to look in depth into this question and hopefully give us some additional background information which might permit the development of some realistic legislative alternatives.

SUMMARY

Its very difficult to separate highways completely from other government functions and I've mentioned cost responsibility to emphasize the scope of the problems we are trying to resolve.

I've listed the areas where I feel we have found broad general support and several areas where we have not been able to sense public understanding and support. Representative Walter Barbour, Marion County, has agreed to give us his impression of the hearings in each of the nine areas in which we have met since last July.

Local and State Cost Responsibilities and Sources of Revenue for Indiana Highway Needs

PART II

WALTER H. BARBOUR
Indiana State Representative

REGIONAL AND LOCAL ISSUES AND RECOMMENDATIONS

Senator Peterson has mentioned those legislative issues which have been discussed at each of the committee's meetings but it might be of interest to summarize each of the meetings to give an insight into the highway-related problems of the various areas of the state.

Evansville Area

Our first meeting was in Evansville. The City of Evansville and Vanderburgh County, as hosts, provided most of the comments which centered largely on the improvement of U. S. 41. The "pocket-area" felt they had been neglected by the state in highway construction and their transportation situation tied them more closely to Nashville, Tennessee, Louisville, and St. Louis than to the rest of Indiana. Several of the more rural counties pointed to their special problems of lack of cheap aggregates, rough topography which meant higher costs, and a large number of bridges over streams flowing into the White, Wabash, and Ohio rivers—all of which have histories of severe flooding. All of these counties opposed changes in the present MVHA distribution formula.

Southeastern Indiana Area

Southeastern Indiana met at Madison and said their area was on the threshold of an industrial boom if only better highways—particularly those leading north and south—would be built. Scenic roads as a tourist attraction were an important factor at this meeting. Most of the counties represented opposed any change in the formula and the

mayors said the study proved their contention that the cities needed a great deal more money.

Muncie Area

The Muncie session covered a part of the state where the cities are larger, more numerous, and population density greater than the areas covered in the southern part of the state. Most of the comment here was centered on taxes in general. Use of property tax revenue for roads was opposed, an increase in the state sales tax was urged, with part allocated to roads, and the use of MVHA funds for administration and state police operations was opposed.

Connersville Area

We had a large turnout of industrialists at the Connersville meeting. Two subjects received the most emphasis—industrial and recreational roads.

Most of these counties are between I-70 and I-74 and the large interstate trucks serving the area have a great deal of difficulty getting into and out of local factories. Employees at these industries travel long distances in many cases and peak traffic for these people is apparently a real problem. Construction of the Brookville Reservoir and access to the surrounding land was viewed as a future problem both to local highway departments and to the state—particularly in view of its proximity to the Cincinnati area.

Lafayette Area

Most of the discussion in our Lafayette meeting centered on farm-to-market roads. While fewer people are living in many of these counties, farms are getting larger requiring better roads for the larger trucks, machinery, and school buses. The thinking here was that with shrinking local resources, the state must assume additional responsibility or at least maintain the present level of funding. Increased state taxes were proposed here and the need for a means of policing the certification of mileage used in the MVHA formula was stressed at the Lafayette meeting.

Bedford Area

Our December meeting was in Bedford where completion of Indiana 37 between Bedford and Indianapolis was considered critical and access to recreational facilities, such as the Monroe Reservoir, was urged, with the finances coming from the State. Bridges in rural counties and a general lack of local wealth both pointed to more state help according to the testimony we heard. The idea of Indiana

building new roads in Southern Indiana was proposed as an attraction to industry and a means of improving the economy. Reconsideration of an Evansville-Indianapolis toll road was also proposed. We were urged not to change the MVHA formula unless it would be to add a "topographic" factor which would compensate these counties for higher cost roads in hilly terrain.

Terre Haute Area

At Terre Haute, U. S. 41 was again the most popular subject. The lack of good highway was given as one of the reasons this area had been losing industries over the past several decades. The issue of revenue received a good airing here. Most of the testimony favored continued dependence on the user for highway money although use of sales taxes collected by service stations had considerable support as a source of highway funds. We also were urged at this meeting to take a position of leadership in "selling highways" to the public.

Fort Wayne Area

Several unique, but not necessarily characteristic, features of the Fort Wayne area meeting were the expression of concern by county officials about the proposed transfer of certain state highways to county road systems and the urging that counties be given credit for buggies in the allocation of MVHA funds. The opening of I-69 to the Michigan State line shortly before our meeting and the subsequent proposal by the state to abandon portions of U. S. 27 was one reason for this emphasis. Generally, however, the Fort Wayne meeting participants said better roads were needed if the area was going to reach its economic potential. They said more money was needed, including general fund revenues, for roads and streets and stressed that much of the traffic was seasonal around the lakes and the property tax base included many summer-only homes.

South Bend Area

South Bend was the most "urbanized" area the committee has visited so far. Here we were told that, in their opinion, this area was subsidizing southern Indiana. The statement was made that a large portion of state government revenue was collected in the northern two or three tiers of counties but that very little was ever spent there, pointing out that U. S. 31 is still inadequate and that it has taken 12 years to build a few miles of U. S. 20 bypass which still doesn't serve the area because it starts nowhere and ends nowhere as far as local traffic is concerned. Both South Bend and Elkhart felt the needs

study was too conservative in estimating city needs and a proposal was made at this meeting for the creation of a special local highway fund which could compensate northern Indiana counties for snow removal expense and southern counties for emergency flood damage.

Summary

After nearly a year of traveling over all parts of Indiana, I think most of the committee members have learned a great deal about local road and street problems from the officials who are responsible for these roads. And we've learned that all areas of the state have sections of state highways which are critical from both a traffic and safety standpoint. There isn't going to be any simple solution—even with more money—to all the problems nor can we make everyone happy, but I do feel a sincere effort is being made by the committee to develop a sound legislative program and I hope that there will be many areas of agreement between the various highway and government groups making proposals to the 1969 legislature.

HIGHWAY FINANCE AND THE 1969 LEGISLATURE

The members of the Legislative Highway Needs Study Committee believe highway finance will be one of the major issues in the 1969 legislature. Problems under consideration by the committee are: (1) to determine the proper level of state financing of road and street programs; (2) to determine an equitable distribution of state collected revenues for highway purposes; (3) to determine the most equitable means of financing roads and streets; (4) to improve, through legislation, the management of state and local street departments; and (5) to solve special problems such as financing recreational and industrial development roads.

The consulting firms' report has recommended a change in the distribution formula, placing more emphasis on number of vehicle registrations than on highway mileage. This does penalize many of the rural counties and, of course, caused much comment. Since many counties think that they do not now have sufficient funds, they feel they *could not* stand a cut. We believe that this can be overcome by leaving the old formula as it is, but distributing any new money raised on a new basis.

This, in a general way, brings us up to date with the committee work.

Local and State Cost Responsibilities and Sources of Revenue for Indiana Highway Needs

DISCUSSION I

FLOYD GINGRICH

Tippecanoe County Commissioner

Lafayette, Indiana

MVHA DISTRIBUTION FORMULA

The report of the Highway Needs Study Committee points out many things. The most important of these needs is the need for more funds for highway purposes. It shows that there is a great need for more funds for each of the three units—state, county and cities. Although each of these units think that it is the one with the maximum need, I think this study shows that the needs are about equal.

Therefore, it seems that the present distribution formula (53 percent state, 32 percent county and 15 percent cities) is adequate and should not be changed. The Association of Indiana Counties at their December 1967 conference went on record as recommending that this formula be kept as it is and not be changed.

IMPROVE DIVISION FORMULA FOR COUNTIES

The division formula for the counties could be improved. The formula recommended by Cole-Williams Company seems to be too complicated and there are too many factors involved. The formula at this time places too much emphasis on *mileage* and not enough on vehicles and traffic. More funds should be returned to the counties which collect more of the gasoline tax and where the heaviest traffic is.

Counties Must Report Actual Mileage

There has been too much difference in the actual miles of road in a county and the miles reported by some counties. The County Commissioners Association has been successful in persuading most of these counties to report their mileage on a more realistic basis. How-

ever, I believe that if mileage is going to be a factor in the distribution formula for the counties, there must be a law to force the counties to report their actual mileage.

COUNTY COMMISSIONERS PLAN LEGISLATIVE PROGRAM

There are 92 counties in the state and probably there are 92 different highway problems. The Indiana County Commissioners Association has sent a long list of questions to each county trying to determine each county's needs and their ideas on how to take care of these needs. The answers to these questions have been tabulated and will be discussed and acted upon this afternoon at the county commissioners session. The county commissioners will then decide as to what their legislative program will be.

Raise Gas and Sales Taxes

I think that the state gasoline tax should be raised at least one cent and that all sales taxes generated by vehicles which use the highways should be put in the motor vehicle fund; that all of the funds in the motor vehicle account be used for construction and maintenance of highways and that no part of it be used for other purposes such as paying the state police; that property taxes should not be used for highway purposes, and that state sales tax be raised enough that the money could be taken from that source to meet the highway needs.

Inform Legislators of Needs

We are going to expect our legislators in the coming session of the General Assembly to understand our problems and to pass legislation to help our situation. I am sure that most of our legislators are going to understand our problem. I know that the ones representing my county are going to understand our problem, because I am going to see that they do. But our legislators can do only what the people want them to do. We will want them to legislate much more money for the highways, but there will be strong pressure groups who will pressure them not to raise any additional taxes because either they will have to pay extra or they will think that additional taxes are going to hurt their business.

PUBLIC RELATION PROGRAMS URGED

It is up to us to explain to the people of Indiana the reasons that we need more funds for our highways. The public knows that our highways lack a lot of being ideal. We know that the principal reason

that the highways are not up to standard is that the money needed to bring them up to that standard is not available. But evidently most of them do not know this reason. They blame the mayor, commissioners, or the state highway commission, as the case may be, and they really think that is where the fault lies. They think that the whole solution to the situation lies in just changing the mayor, the commissioners or the state highway commission.

Maybe we are at fault if we don't get it explained enough so that they will help us instead of just blaming us. I have had to face many people and even many large groups of people complaining about the condition of our highways. I have tried to explain why we cannot do more to make our highways more ideal. Then when asked if they would be willing to pay more taxes for better highways, the answer is always yes. So we may not be too unpopular for trying to get the money needed to do our job.

I think that the three units, the state highway commission, county commissioners and the mayors, should get together and put on a concentrated effort to educate the people of Indiana to our highway needs. We should give this information to the news media—newspapers, radio and television stations. We should explain our needs to organizations such as the Chamber of Commerce, Farm Bureau, League of Women Voters and all other groups that would be interested.

So let's all get together, tell our story to the people, and give our legislators the support that they will need to do the things that we expect of them.

Local and State Cost Responsibilities and Sources of Revenue for Indiana Highway Needs

DISCUSSION II

W. K. HOLM

Chairman

Indiana Highway Users Conference

INTRODUCTION

President Johnson, in a speech on August 13th, 1964, had this to say about the highway users:

“For much too long, the man who owns and drives an automobile has been treated like a stepchild. We require him to pay for the highways he uses, and we require him to pay in advance. We divert his taxes to other uses, but we delay the building of the roads that he deserves. We denounce him for getting snarled in traffic jams not of his own making. We complain about what it costs us, but we never thank him for what he adds to the worth and wealth of our economy. We could not get along without him, but we often talk as though we can't live with him.”

INDIANA HIGHWAY USERS CONFERENCE

The Indiana Highway Users Conference is a non-political, non-profit organization. Its purpose is to provide a means through which those interested in highways and highway transportation may exchange and undertake to coordinate views, ideas, and activities related to their mutual interests. It acts as a clearing house for the collection and dissemination to its members and the public of information concerning present and proposed legislation, regulations, and taxation affecting highways and highway transportation. It serves as a forum for the discussion of policies and voluntary programs and, so far as possible, synchronizes the activities of its members in vitalizing and accomplishing the programs agreed upon that are in the public's interest.

The Indiana Highway Users Conference is nonpartisan and without prejudice in regard to any type of road, section of the state, or individual. Its chief interest is in the proper development of all types of roads and all classes of highway transportation at the lowest possible cost for this service to the people of Indiana.

PROGRAM FOR BETTER AND SAFER ROADS

To achieve this end, the Indiana Highway Users Conference instituted a Program for Better and Safer Roads and Streets in Indiana which they presented to the public and the Indiana General Assembly in 1967, as follows:

- (1) Ask the 1967 session of the Indiana General Assembly to provide that undistributed funds collected from highway users or other funds allocated to the Indiana State Highway Commission must be invested by the state treasurer separately from other funds and the interest earned on such invested funds shall be credited to the Motor Vehicle Highway Account.

(This proposal simply means that the interest earned on idle highway dollars will be available for roads and street improvement—a gain of possibly \$1 million or more per year.)

- (2) Ask the 1967 session of the Indiana General Assembly to enact a constitutional amendment prohibiting the diversion of highway funds from use on other than highway-related expenses.

(Such good roads constitutional amendments have been approved by the voters of 28 states, including neighboring Michigan, Ohio and Kentucky.)

- (3) Ask the 1967 session of the Indiana General Assembly to return to the state highway commission \$14.4 million dollars in highway user taxes that were borrowed during the 1930's and used for general government rather than for the construction, maintenance and repair of roads and streets.

(Actually, \$38,325,000 has been diverted from highways in Indiana since 1934, according to the U. S. Bureau of Public Roads. If that money had gone to road building during those years it would have built 1,068 miles of average state highways.)

- (4) Ask the 1967 session of the Indiana General Assembly to require the Indiana Toll Road Commission to return to the

state highway commission \$677,000 that was advanced for surveys for the north-south toll road that was never built.

- (5) Ask the 1967 session of the Indiana General Assembly to enact permissive legislation which will enable cities or joint city-county authorities to levy a broad base tax such as a payroll tax, for the construction of streets and thoroughfares. (Over 1,000 urban jurisdictions in several states impose local income, employment, or payroll taxes on individual earnings in the city, regardless of where the person lives. Using this tax for urban thoroughfare improvements will be of great benefit to the commuter.)
- (6) Ask the General Assembly to provide for a sound periodic motor inspection program for the State of Indiana. (Safety inspection of motor vehicles has proven to be a lifesaver in the 21 states that have been checking cars regularly for years. Many more states are currently launching inspection programs.)

Program Supporters

This program was supported by the following list of organizations and members of the Indiana Highway Users Conference who joined together in a united effort.

Auto Club of Southern Indiana, Inc.
 Automobile Dealers Association of Indiana, Inc.
 Central Indiana Dairymen's Association, Inc.
 Flora Community Club, Inc.
 Great Lakes Ice Association
 Hoosier Motor Club, AAA
 Independent Garage Owners of Indiana, Inc.
 Independent Insurance Agents of Indiana
 Independent Oil Marketers Association of Indiana, Inc.
 Indiana Auto Association, Inc. (N.A.A.)
 Indiana Automotive Wholesalers Association
 Indiana Bakers Association
 Indiana Bus Association, Inc.
 Indiana Canners' Association
 Indiana Concrete Masonry Association, Inc.
 Indiana Dairy Products Association
 Indiana Fuel Merchants Association
 Indiana Funeral Directors Association, Inc.
 Indiana Grand Chapter, Order of Eastern Star

Indiana Household Movers & Warehousemen, Inc.
 Indiana Highway 37 Association
 Indiana Implement Dealers' Association, Inc.
 Indiana L. P. Gas Association
 Indiana Lumber & Builders' Supply Association
 Indiana Meat Packers Association, Inc.
 Indiana Motel Association
 Indiana Motor Truck Association, Inc.
 Indiana Petroleum Council
 Indiana Petroleum Retailers Association
 Indiana Restaurant Association, Inc.
 Indiana Retail Grocers Association
 Indiana Retail Hardware Association
 Indiana Rural Letter Carriers Association
 Indiana Society of Professional Engineers
 Indiana Soft Serve & Drive In Association
 Indiana State Poultry Association, Inc.
 Indiana Truckers Association, Inc.
 Indiana Wholesale Liquor Dealers Association
 Indianapolis Auto Trade Association
 Indianapolis Automotive Maintenance Association
 Indianapolis Coal Merchants Association
 Indianapolis Motor Truck Association
 Lafayette Auto Club, AAA
 Leitch's Market & Lockers
 Leiters Ford Merchants & Associates
 Morgantown Businessmen's Association
 Oil Fuel Institute of Central Indiana
 Osgood Civic Club
 Plumbing, Heating, Cooling Contracts Assn. of Gtr. Indianapolis
 Portland Cement Association, Indiana District
 Private Brand Gasoline Marketers of Indiana
 Rapidex Doxplank Manufacturers Association
 Sellersburg Trade Association
 Southwestern Motor Carriers Association
 State Florists Association of Indiana
 Terre Haute Auto Club, AAA
 Terre Haute Motor Carriers Association
 Turner Trucking Company, Inc.
 U-Haul Company of Indiana

USERS CONFERENCE STUDIES HIGHWAY NEEDS STUDY

At the present time the users have not formulated any position on the Cole and Williams study nor on the questions on the needs or revenue that it poses. After the Indiana Highway Needs Study Commission makes its final recommendations, a special committee of the conference will study the recommendations and make policy suggestions to the membership. These suggestions will then be discussed by the entire membership and any modifications or revisions will be made at that time. The conference then must give its approval to the suggestions which then become the official policy. Since none of this has taken place, I cannot speak officially for the conference, but I would like to give you some of the observations that have come up in conversations with our members.

DIVERSION OF ROAD FUND MONIES AND POTENTIAL FUNDS

It appears that there are two glaring deficiencies which prevent the road fund in the State of Indiana from realizing its full potential in revenue. The first, and probably the most serious of the two, is the diversion of monies that should go into the road fund and the second is the lack of willingness of the non-user to shoulder his fair share of the responsibility for building and maintaining the highways.

Diversion for Rapid Transit in U.S.

It is generally accepted by all highway experts that the economic welfare of the country, as well as that of the individual states, has been and will be in the future keyed to the growth of the highways; yet in spite of this fact, efforts are being made to discontinue building highways and to divert the money paid by highway users to rail rapid transit and other non-highway uses. The best examples of attempted diversion of highway user revenue to rail rapid transit are in the State of California where no less than six bills have been introduced in the legislature to use highway money for building rail rapid transit systems, and in Washington, D. C. where a much-needed highway system is being held up while attempts are being made to get the highway funds for rail rapid transit. Efforts are also being made in this direction in Chicago, Illinois; Seattle, Washington; and Cleveland, Ohio. These efforts are continuing even though authoritative surveys indicate that rapid transit in these areas cannot be self-sustaining. Now, the highway user is not against rail rapid transit; he is acutely aware that there is vital need for a balanced transportation system

which will take in an overall plan for highway, rail, air, and water movement. However, he is also cognizant of the fact that no one aspect of the transportation picture should be pushed to the detriment of the other systems, nor should the public be coerced into losing its freedom of choice to select the mode of transportation that best suits the individual's needs. What the user is against is the diverting of the revenue that he contributes for the building and maintenance of highways for rail rapid transit or other non-highway use.

Diversion of 35.5 Millions in Indiana

If we get return of the diverted money from the state police budget, adjust the tax refund system on gasoline, get the proper users' share on sales tax and interest on highway money, build and maintain roads in parks and institutions with general fund money and support the enactment of a constitutional amendment, approximately \$35.5 million a year could be added to the road fund.

Non-User Should Pay 20 Million

Why can't part of local revenue be earmarked for highways as it is in other states? If a fair and equitable portion of local receipts were earmarked for highways, approximately \$20 million more a year could be added to the road fund.

In addition, the highway user pays a disproportionate share of the cost of county and city and town road and street expenses when we compare Indiana with neighboring states. For example: in 1965, the most recent year for which comparative figures are available, the highway user paid 86 percent of the cost of county roads in Indiana. In Illinois he paid 42 percent, in Ohio 70 percent, in Michigan 83 percent, in Kentucky 25 percent, and nationally the user paid an average of only 46 percent of the total cost of these county roads. In regard to city and town streets, the user in Indiana paid 90 percent of the bill, in Illinois 38 percent, in Ohio 42 percent, in Michigan 36 percent, and in Kentucky nothing. Nationally, the average user's share of the cost of municipal streets was 23 percent. It is realized that an extra two-months receipts to the motor vehicle highway account were distributed to the counties and municipalities in 1965. However, this changed the percentage for counties from 85 in 1964 to 86 in 1965 and the percentage for municipalities from 81 in 1964 to 90 in 1965. The figures for the other states in 1964 were at levels that were comparable to 1965.

The point of all this is that it is apparent that the users' share of the cost of constructing and maintaining highways at the county and

municipal levels in Indiana is much too high in comparison with neighboring states and national averages and should be reduced so that it is more equitable and in line with these averages.

Diverted and Potential Funds Totaled

But even if this change in allocation were not made, if the \$20 million from local revenues were added to the \$35.5 million of diverted revenues, and the \$31 million that the non-user is to contribute from the general fund for his share of the responsibility, this would give the road fund an additional \$86.8 million for the next two years and an additional \$74.8 million a year for each year thereafter. The additional need each year, according to the Cole and Williams report, is \$72.6 million, so the means that I have suggested to increase highway revenue would create approximately a cushion of \$14.2 million each year for the first two years of the program, and \$2.2 million cushion each year for the remainder of the program.

OTHER ROAD FUND SOURCES

There are, of course, additional methods of raising revenue for highways, such as asking the legislature to enact a law dedicating the sales tax on automobiles and trucks to the road fund. Another alternative might be to get some of our federal highway user tax money back from Washington, D. C. Indiana pays approximately \$58 million more a year in highway user taxes to the federal government than is returned to it for the federal share of interstate and primary roads. This means that Indiana is getting back about 40 cents for every \$1 it sends to the federal government in federal highway taxes.

CONCLUSION

In conclusion, it appears that before anything is done to provide additional money for the road fund, the public should have the assurance that his money will be protected and will be used only for roads. This can be accomplished only if all those concerned with highway needs work together to support a constitutional amendment to prohibit diversion.

During past sessions of the legislature, user groups had attempted to get a bill passed that would require the general fund to pay back highway money which had been diverted for non-highway uses. These attempts failed until last year, at which time all groups who were concerned with good roads joined in with the highway users to support a return of some of the diverted money. Because of their concerted

effort, the state highway commission received a repayment of \$14.4 million of diverted funds.

I invite all to join the highway users in asking the legislature to introduce and enact a constitutional amendment to prohibit the diversion of road money.