

Impact of the Fuel Shortage on Highway Funds in Indiana

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GASOLINE PRICES UP, MONEY FOR ROADS DOWN

I know it's not recommended procedure but I'm going to begin by citing a few facts of life—as of March 6, 1974.

Fact One—Hoosier motorists will spend \$470 million more for gasoline this year than in 1973. That's assuming, optimistically, that gasoline prices level off at only 60 cents a gallon.

Fact Two—Despite this fantastic increase in highway travel cost, tax revenue available for maintenance and improvement of Indiana's roads and streets will decline. How much is still anybody's guess. It could be down \$40 million or more. Hopefully, the shortfall won't be that drastic.

Our forecast, four months ago, was that there was a strong likelihood that fuel consumption—and highway tax collections—would drop 16 percent in 1974. If we can believe half of what we read and hear today, this prediction is still very much in the ball park. Some headlines in the past couple of weeks read as follows: "Gasoline Tax Decline Curbs Road Work," "Kentucky Roads to Get \$26.5 Million in General Funds to Soften Blow of Reduced Fuel Tax Receipts," "Energy Crisis Drops Turnpike Revenue 15 Percent," "Gasoline Shortage Could Worsen in April and May, Even if Arabs Drop Embargo," "Ohio Considers \$60 Million Fund Transfer to Aid Sagging Road Program," "Michigan Highway Traffic Volume Drops Nine Percent in January," "Indiana Motor Fuel Tax Income Down Ten Percent," "Nixon Bill to Allow Heavier Trucks on Highways Aided by Fuel Crisis," and "Brothels Feel Energy Crisis."

ROAD MAINTENANCE AND COSTS RISING FAST

I was also intrigued by the announcement that the Department of Transportation has endorsed legislation to boost the legal weight limits, and the size of trucks using the interstate system.

Federal Highway Administrator Norbert Tiemann conceded that this will increase road and bridge maintenance costs by 20 percent. But, he added, and I quote: "Such an increase is acceptable, on a short-term basis, as a remedy for the problems encountered by the trucking industry."

Acceptable to whom?

Tiemann can afford to be magnanimous because he knows—just as all of you know—that not a cent of our federal-aid highway tax money can be spent for maintenance.

I question whether this 20 percent cost add-on would be acceptable to Indiana's State Highway Commission chairman. It is Dick Boehning—not Tiemann—who has to worry about the 350 miles of Indiana interstates that are ten to 15 years old, and in serious need of attention.

It is Dick Boehning who has called attention to the fact that Indiana needs an additional \$28-million annually just to keep pace with current highway maintenance requirements.

It is Dick Boehning, and Governor Bowen, and many others who have pointed out that Indiana would have some additional money left over for road and bridge repair work if we were getting back a little more than 41 cents for every highway tax dollar we send to Washington.

And, finally, since no one else has said it, I'll go on record predicting that, once the present truck weight and size restrictions are "temporarily" relaxed, they will never be reinstated.

FEDERAL GOVERNMENT AND TRUCKERS INDIFFERENT TO ROAD PROBLEMS

I'm not saying that the 55-mph speed limit doesn't impose a hardship on truckers. It does. Acknowledging this, what would be wrong with the government releasing some of our seven billion impounded dollars in the Federal Highway Trust Fund to offset the states' additional maintenance expenditures?

I suggest that you suggest to your congressman and your senators that, so far as Indiana is concerned, this would be an "acceptable" solution to the problem.

I have strayed a bit from my assigned subject but, as you may have gathered by now, I think that highway users in general—and Indiana's three million motorists in particular—have been getting the short end of the stick for entirely too long. The truckers go on strike and, overnight, we've got a national emergency. Plants close down.

Governors call out the state militia. The president calls a press conference. Housewives start hoarding toilet paper.

The truckers go back to work and, incredibly, many of these same people are sounding off the next day, saying "who needs highways?"

STATE LEGISLATURE AND BUDGET AGENCY SEE NO SHORTFALL

Back to the headlines. The real reason that I recited them was to underscore what is, even in today's "time frame," a remarkable credibility gap on the subject of the energy crisis and, more particularly, its impact on road and street revenue.

As I said, even if we believe only half of what the government tells us, and what the petroleum industry tells us—and, regrettably, 50 percent believability is about par for the course these days, both public and private—we still arrive at the inescapable conclusion that the country has an energy problem, and a side-car highway revenue problem of some magnitude.

This is why, when we went before the legislature with what we thought were feasible, practical solutions to an anticipated multi-million dollar highway revenue shortfall, we were somewhat chagrined to find out that there wasn't anything to be solved.

The state budget director went so far as to imply that what we really needed was exorcism rites. We were imagining devils and deficits where none really existed.

Highway revenue was going to go up this year, he said not down. The fuel shortage was a myth. A figment of our over-zealous highway-oriented imagination.

The unspoken assumption was that Indiana's budget agency put little or no stock in the efficacy, if not the justification for the government's fuel conservation program.

In my mind's eye, I had a picture of these people scurrying about the state after March 1, tacking postscripts on the new 55 mph speed limit signs reading: ACCELERATE AROUND THE NEXT TURN—INDIANA HAS FUEL TO BURN!

This sounds facetious, and I don't mean to put the legislature or the budget agency down. It's true that there wasn't a crisis then. It's true, even now, that Indiana hasn't felt the fuel pinch as severely as many other sections of the country.

POSSIBLE 16.5 PERCENT INDIANA SHORTFALL FOR '74

Nonetheless, two or three months ago, we thought the handwriting on the wall was reasonably clear. There was a lot of evidence that wasn't hearsay. Based on the best information available at the time, we said that a 16.5 percent shortfall in fuel tax revenue was entirely possible, if not likely, in 1974.

We emphasized that this would drain \$23 million from the State Highway Commission's budget, \$13 million from county road departments and \$7 million from city and town street funds.

And we pointed out that virtually all of this potential dollar loss would have to be deducted from road and street improvement and maintenance programs since, by and large, the other administrative and overhead costs are locked in.

Unfortunately, nothing has happened since then to make us change our minds. Gasoline consumption in Indiana started downward in November and December—off about 1.5 percent from the same two months in 1972. Then, according to preliminary figures, just issued by the Department of Revenue, gasoline purchases took a ten percent nose-dive in January.

If your sole concern is fuel conservation—and this is a matter that should concern all of us—this is a good omen. If, on the other hand, you've been elected or appointed to the job of keeping a portion of Indiana's roads and street system in reasonably adequate, safe condition it means less money, more chuckholes and more headaches.

POSSIBLE 15-20 PERCENT HIGHWAY PROGRAM REDUCTION ACROSS NATION

This is the paradox. I think every responsible person must acknowledge that the United States, with only one-sixteenth of the world's population, cannot continue indefinitely to consume 30 percent of the world's energy resources. But, from the point of view of Indiana's traveling public—since no remedial action has been taken or even seriously considered—we almost hope that these January figures are not indicative of a trend.

Unfortunately, however, we're convinced that they are. Nationwide, gasoline demand was down nearly nine percent in December. And we must keep in mind that these December and January reductions reflect voluntary conservation on the part of the public. It is inevitable that the new 55 mph speed limits will push fuel use down another three to four percent.

Federal Highway Administrator Norbert Tiemann put it very bluntly, just a couple of weeks ago.

"Despite any skepticism that has been expressed, there is a national fuel crisis," he said. "It is not contrived or imagined, and it is not going to go away quickly.

"Presently, gasoline is being used at a rate of about 85 percent of last year's usage, and, of course, it was also necessary to impose a national speed limit of 55 mph.

"These factors alone," Tiemann explained, "will probably reduce gas tax revenues by 15 to 20 percent. In most states, this will immediately affect the amount of state funds available to match federal-aid funds. In short, we anticipate a highway program reduction of 15 to 20 percent unless something is changed in this financial picture."

And, to make matters worse, the Federal Energy Office now tells us that they may have underestimated the fuel shortfall. They had believed that it would bottom out at about 15 percent below normal demand but, just last week, one of William Simon's aides was quoted as saying that "April and May could be more critical months than February."

The president of Gulf Oil Corporation is even gloomier. He recently predicted that the gasoline shortage this spring, nationwide, will be "on the order of 25 to 30 percent."

HIGHWAYS HURT MOST OF ALL STATE AGENCIES

In short, the outlook today is every bit as bleak as we told the General Assembly it might be. About the only concession we got was from one legislator who said, in effect, that even if we were right and Indiana was in for a serious fuel problem, there was no reason why road and street officials, and the highway industry, shouldn't be willing to take their lumps along with everybody else.

On the surface, this sounds fair enough, and democratic. Unfortunately, it has one minor fallacy. It's not true . . . there is no valid or legitimate comparison.

There are no other state or local government agencies whose budgets, or income, rises or falls, month by month, with gasoline tax collections. Even those agencies that subsist off the motor vehicle highway account—the state police, bureau of motor vehicles and others—operate on an established annual budget. They are first in line. They get their money, and then whatever is left over is distributed to the State Highway Commission and to county and municipal road and street departments.

This, as a matter of fact, is another aspect of our highway revenue dilemma. These off-the-top deductions from the MVH account have gone up a staggering 84 percent in the past four years. If you were wondering why your road and street allocations weren't showing much of an increase, even before the energy crisis, this is a large part of the answer.

And there is still another factor which helps explain why highway officials are in double jeopardy. Inflation is clobbering everybody, but there are very few businesses, or other governmental units, which have had the price of their basic materials and supplies skyrocket as high as asphalt. It has doubled in recent months, and it will probably continue to go up. I doubt if there are more than a half-dozen or so road and street officials here today who have been able to get a firm commitment from their asphalt suppliers this year, either as to price or total available quantities.

The price of cement, steel and other road and bridge ingredients are up an average of at least 25 percent, and they are also in scarce supply.

All of which helps explain why the Federal Highway Administration's Roadbuilding Price Index jumped 16.2 percent in the final quarter of last year.

So, as we told the legislature, the highway industry's problems, both real and anticipated, are not typical. They are unique, and they are severe.

\$17 MILLION EXTRA FROM GASOLINE SALES TAX— NONE FOR HIGHWAYS

In view of this, we had hoped that the General Assembly would at least go along with our proposal for a temporary, flexible revenue formula. Since the steadily rising price of gasoline promises to pump an extra 17 to 18 million sales tax dollars into the state's general fund, why not leave the door open to use some of this money, if needed, to offset the expected shortfall in highway revenue?

In other words, acknowledge the problem and, for the first time in recorded history, at least consider the possibility of transferring some general tax money to the highway account, rather than vice versa.

After all, contrary to a state statute, Hoosier motorists have been footing 75 to 100 percent of the state police budget for about as long as any of us can remember. This practice, alone, has drained more than \$55 million out of the MVH fund in the past 15 years over and above the stipulated 50 percent contribution.

Several other states, including Kentucky, Ohio and Oklahoma, have either made such fund transfers or are considering doing so.

But, when we made the proposal, the reaction varied all the way from stunned silence to total disbelief. You would almost have thought that we had suggested the mass impeachment of the budget director, his staff and all the Senate Finance Committee members.

What we were asking, they said, was a guaranteed annual income for Indiana's road and street programs.

NO EMERGENCY PLANS FOR SIZABLE SHORTFALL

In truth, all we were saying was that we hoped that their no-revenue-loss forecasts proved correct. But, on the other hand, if our predictions of a sizable shortfall became a reality, some interim options should be made available to keep these programs on a reasonably even keel and to prevent any further, costly deterioration of Hoosier highways.

No action was taken so, for the present, all we can do is stretch every remaining road dollar as far as possible, concentrate spending on the really critical, priority improvement and maintenance work and, as I said, hope that the revenue decline doesn't accelerate.

CONCLUSION

There is no question that this will be a year to severely test your ingenuity and your patience. Fortunately, very few of you are rookies in this business. Indiana's highway industry is accustomed to coping with challenges.