

State and Local Legislation on Funding Issues

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This year's legislature was a short session, but we were long on accomplishments. About 450 bills were introduced, but the House only sent 111 of them to be signed. We are passing legislation that is important to the new core plant in Montgomery County, which is the new steel plant down there. We put money into health care, which is important to our senior citizens. We passed a supplemental budget of \$23.5 million. We passed a lemon law on automobiles. More importantly, the leadership in the House and the Senate sat down with the governor and the Lt. governor and established four goals for this session.

We established that we wanted to do something about the AIDS problem in this state, workman's compensation insurance, local measured service, and highway funding. We accomplished some major changes in these areas. We concentrated on what we call critical or emergency issues.

As to AIDS, we sent out questionnaires that asked whether we ought to be spending money specifically for AIDS in an AIDS hospital. One-third of the respondents said "yes", one-third said "no", and one-third said "I don't know". Starting an education program is the first step.

Workmen's compensation is an important issue. We had fallen behind in our coverages. We raised these benefits. Over the next three years, the main benefit will be increased by 55 percent and the permanent partial benefits will be increased by 60 percent.

More than 80 percent of the public does not want local measured service. We banned local measured service for three years and allowed the five test sites to continue to collect data. The feeling in the legislature is that we do not want local measured service, if there is any possible way around it. We also recognize some problems; some people hook computers to telephones and tie up the equipment all day. We may need to address that and other problems. In Indianapolis, a measured service is in effect that allows a number of calls each month for a flat fee.

In addition, there were three bills that primarily dealt with highway funding. House Bill 1295 cleans up the old language. It allows counties to bond for roads if they meet certain requirements. For example, they must adopt the excise tax and the wheel tax. Presently, only 13 counties do so. They cannot use property tax for highway construction. The bill does allow them to use property tax for bridge construction, but that probably will be changed in the next session.

The truck decal tax that the tax court struck down produced about \$27 million a year for the State of Indiana and for local roads. The money was taken away by the tax decision, and we tried to find a replacement for it. House Bill 1226 was authored. Effective April 1, 1988, the motor carrier surtax will increase from 8

cents to 11 cents. The special fuel tax will increase from 1 to 16 cents, producing \$20.8 million a year. In this fiscal year, it will only produce about \$1 million. In addition, registration fees were raised. Trailer fees, which used to be \$30 per year, have been changed so that a five-year license may be purchased for \$60. That change may decrease the trailer fees, but the overall increase in registration fees will raise \$11.3 million a year. Because most trucks have already been registered, however, not much money will come from the increase this year.

Nine percent of the 1989 surtax money will be sent to the motor carrier regulator fund and used to administer force of motor fuel taxes. By going out-of-state and auditing big trucking companies, it is estimated that \$5 to 10 million that is not being sent to us may be obtained. That is money above the \$5 million we will put into it. These items have increased from what we were going to get, \$27 million, to between \$37 and \$42 million. Even with that increase, it will take until June 30, 1995, to make up what we have already lost as a result of losing the decal tax.

House Bill 1230 is the bonding bill. It has been a controversial bill, and a new step for the state of Indiana, though it is not a new step in our country. Forty-four states bond for highways at present, and one of the reasons we have fallen behind other states in new construction is because we do not bond. Raising the tax in House Bill 1230 by one penny will produce about \$25 million. We raised the gasoline tax from 14 to 15 cents, and it will be given to the state highway construction and improvement fund.

The Toll Finance Authority was renamed the Indiana Transportation Finance Authority. We added the budget director, the state treasurer, and two other members to that group. The group has the authority to bond for roads. The life of the bonds is limited: they cannot go beyond the weighted life of the projects being funded, and they must be at least five years. The least payments have the first claim of the state highway road construction improvement fund, and bonds will require an approval of the transportation coordinating board and budget agency before they can be sold. The bonding is limited to a five-year window. If we do not change the law, the ability to bond will be gone. The amount of bonding that we are limited to is 20 percent of the highway funds spent the previous year. At the moment, that is not the limiting factor. The limiting factor is the one-cent tax that we have on it. One cent is the effective cap because that is all we can pay for it. At this rate, \$25 million a year will be raised, and we will run out of bonding ability within four years.

Money for the 1988 construction season will start coming in, in June of 1988. In the first year, fiscal year 1989, we will have tax proceeds of \$25 million. We will be able to sell bonds of \$65 million, and that will give us a total revenue of \$90 million. We will have debt service then, and have to put up nearly \$4 million, which will leave a little more than \$86 million for highway construction. That amount decreases each year, and in 1992 we will have only \$15 million of new money for highways. This is based on a twelve-year bond at 6 percent. Over those four years, that will give a total of \$250 million for roads. The money will be spent on new projects, not on maintenance, and it is intended to be used in areas where growing traffic needs have made it necessary to make changes in our highway system in order to serve the people of our state.

About 89 percent of the projects of that type are top priority at the moment.

These funds are state highway funds. We did not do anything on new taxes for local funding; that is something we must address next year.