

Financing the Needs of the Indiana Highway System

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INTRODUCTION

We are all familiar with the current highway finance dilemmas facing the various local, state, and federal governmental agencies. Therefore, I will try to be very brief and relate it as I can to the state highway system.

FINANCIAL FIASCO SINCE 1966

Since 1966, the Indiana State Highway Commission has been involved in what I term a financial fiasco. First, while highway related taxes, both state and federal, have increased sharply, not only in tax increases but in dollars generated by increased travel, the state highway commission's budget from 1966 through and including 1974 decreased by approximately \$5 million. During the same period of time, the amount of funds we received from the federal government were cut nearly in half while the dollars contributed to the Federal-Aid Highway Trust Fund by motorists in Indiana have increased substantially. As a matter of fact, for the last 15 years, Indiana motorists have financed not only their own highway program but a substantial amount of highway construction in many other states throughout the country.

The latest figures released by the Federal Highway Administration, for fiscal year 1974, show that the state of Indiana has the dubious distinction of receiving the lowest ratio of return on its highway taxes than any other state in the nation. According to the statistics, Congress has chosen through its outdated formula, to return only 47% of Hoosier motorist's federal-aid highway taxes to the Federal-Aid Highway Trust Fund. By comparison, the percents of return in surrounding states are: Michigan, 65%; Kentucky, 70%; Ohio, 57%; Illinois, 79%. As a matter of fact, the state with the next lowest percentage above Indiana, is the state of Texas with 54% returned, 7% greater than Indiana's return.

I just recently advised our Indiana congressional delegation of our ranking of 50th out of 50 states and requested that they join together

with Governor Bowen in a concerted, priority effort to resolve this dilemma once and for all. In my opinion, it is absurd.

THIRTY PERCENT CONSTRUCTION COST INDEX INCREASE

The next problem, which we have all faced, has been the increase in prices. We currently estimate that the construction cost index in the state of Indiana has increased 30% in the last year alone. This situation obviously totally disrupts any planned highway program be it at the federal, state, or local level.

SOME INCOME BREAKS

It is not all gloom. We have experienced some additional income not, however, without a fight. Two years ago, the state highway commission embarked on a program called acceleration construction of interstate which would advance the opening date for all of Indiana's interstate system with the exception of the 14-mile spur called I-164 at Evansville. Nearly everyone thought it was a good idea. We received the approval of Governor Bowen and the Indiana General Assembly, who advanced some additional moneys to us for the program. Because of this program, we now anticipate that I-265 will be completed and opened to traffic this year and I-64 across southern Indiana and the inner-belt in Indianapolis will be completed and opened to traffic in 1976. The I-275 belt around Cincinnati, that portion which is in Indiana, should be opened to traffic in 1977. Also, as part of this program, the federal government was quite generous also in advancing us additional obligation authority of approximately \$5 million for a section of I-275. Next, through a great deal of work on the part of the Indiana State Highway Commission, the state administration, our congressional delegation and particularly Congressman Ray Madden, we were able to secure additional financing for the \$100 million Cline Avenue project in Lake County. Next, and quite by surprise, even though all states have been trying to accomplish it, President Ford released approximately \$2 billion in impounded federal highway funds. Through the usual formula, we would expect to receive approximately \$40 million in additional obligation authority out of the \$2 billion nationwide total. However, we do intend to attempt to get as much of this money as possible and will submit projects to the Federal Highway Administration for their approval totalling approximately \$59 million. We would hope that President Ford would consider the release of all impounded highway funds. If not, however, we have filed suit against the federal govern-

ment for release of all impounded funds and are optimistic that this legal action will be fruitful.

MAINTENANCE NEEDS—MAJOR IMPROVEMENTS, BRIDGES, RESURFACING

All of us are well aware of the need for additional highway funds. The inflationary factor alone proves the need for additional money. However, excluding the inflationary factor, the demand by communities throughout this state for highway improvements is increasing substantially. Motorists likewise are demanding substantial improvement, not only in the area of new construction but improvements to existing roadways and most certainly in the area of maintenance. Our professional engineers are constantly pressing for additional moneys simply to maintain the highways and bridges which now exist. The interstate system, while yet uncompleted, has many, many miles of highway which are ten and fifteen years old. They are in dire need of repair. Likewise, there are many features in design which were right at the time of construction but are no longer adequate for today's traffic volume and require change. On the primary and secondary system substantial improvements are necessary. The Indiana General Assembly recently conducted legislative hearings throughout the state of Indiana and at each of these hearings were heard numerous requests for millions and millions of dollars over and above what we now anticipate will be generated to make improvements to these systems. Bridges statewide have been deteriorating rapidly. With 4,800 bridges in the state highway system, engineers estimate we should be replacing or reconstructing nearly 200 a year. Currently, we are only replacing them at a rate of 100 per year. We have requested in our current budget before the Indiana General Assembly a request for \$20 million in additional funds to put us back on the 200 bridges replacement cycle per year as is necessary. The area of maintenance is our biggest hang-up at this time. Just in one area of maintenance alone, that being resurfacing, we are now doing just over one-third of what is required. Our engineering experts say that of the 12,000 miles in the state highway system, we should be resurfacing them at the rate of 1,200 miles per year to put us on a ten-year resurfacing cycle. We are currently only doing approximately 450 miles per year. Until the price increase hit us, we were able to resurface approximately 600 miles a year or about half of what we should be doing. To bring this program back on a proper schedule, we have requested the Indiana General Assembly provide us an additional \$34 million in maintenance revenue to do so.

BUDGET REQUEST TO GENERAL ASSEMBLY

Some people seem to think that the additional release of impounded money will assist the State Highway Commission in meeting its maintenance dilemma. This, however, is not true. None of the impounded funds can be used for maintenance. A small portion could possibly be used on our expanded bridge program. Therefore, the impounded funds really have no impact on our primary budget request to the General Assembly in that it is based on an expanded maintenance program not on new construction. In addition to the \$54 million I indicated we have requested, \$20 million for bridge replacement and \$34 million for maintenance, we have requested an additional \$24 million because of the price increases simply to keep us on the same pace as in the 1974 program. The \$24 million we requested would not be able to increase our maintenance effort. We would still only be able to patch as many holes, resurface as many miles. So, again, that would only be able to keep us on pace with 1974 which we do not feel was all that good.

PUBLIC AWARENESS OF THE HIGHWAY PROGRAMS

How then can this dilemma be resolved? Very simply, you and I have done just about all we can do. We have all fought hard with the same problem trying to increase our funding to meet the problem. I believe we have successfully convinced the public and the motorists of the problem we face, and I believe they are in general agreement with us. Quite frankly, the highway financing dilemma is a situation which is a matter of public policy and is now in the hands of the Indiana General Assembly and the governor at the state level, and at the federal level by the Congress and the President of the United States. I believe we must continue to keep this problem in the forefront of the mind of the motorists in this state and nation. Likewise, we must continue to apprise both the officials at the state and federal level, first, of the problem and second of the alternatives which can resolve it.

ALTERNATIVES AT THE STATE LEVEL

Currently, at the state level, there are various alternatives now before the General Assembly. One is a two-cent increase in the state gasoline tax which is now being deliberated. Second is the bill which would return to the Motor Vehicle Highway Fund approximately \$68 million which is the excess over 50% which was funded to the Indiana State Police over and above what the law established for

that agency. Third is the continued battle to seek the release of impounded federal highway funds for the state of Indiana which will assist us in the area of construction, but, again, will not benefit our maintenance program.

ALTERNATIVES AT THE FEDERAL LEVEL

There are numerous alternatives at the federal level. One, we would hope that they would immediately release all impounded federal highway funds. This, however, is rather unlikely at the moment. The best I believe we could hope for at the federal level and a proposal which I have offered on numerous occasions would be the repeal of the current four-cent federal gasoline tax by the federal government which would then permit the state of Indiana to pick up or re-enact the four-cent gas tax at the state level. We would no longer have to worry about an outdated congressional formula for apportioning funds to the state, nor would we have to be concerned about impounded funds. I truly believe that the time has now come for the federal government to consider getting out of the highway business. With the national system of highways now well established, I believe the individual states can adequately improve and maintain the system if only we were to receive those funds which our motorists are now contributing in highway taxes. I believe the only possible exception would be the completion of the interstate system nationwide. In this regard, I would next readily agree to the federal government's retention of one cent of the federal gas tax for the completion of the federal interstate program with the remaining three cents being repealed thereby permitting each state to re-enact it at the state level. The next alternative which would benefit the state of Indiana would be the repeal of two cents of the federal gas tax. Another alternative would be a federally mandated 85% return to each state of its contribution to the Federal-Aid Highway Trust Fund. The state of Indiana would benefit substantially through this formula. I ask that each of you consider these alternatives which I have mentioned and urge you to so indicate your support to the Indiana congressional delegation.

PART OF POSSIBLE LARGE FEDERAL GAS TAX INCREASE SHOULD GO TO STATES

Finally, there is another concept which could possibly give the highway program at least temporarily some additional aid. The federal government currently has numerous proposals under consideration because of the existing oil situation and the recession-inflationary problem facing this nation. One is a substantial increase in the federal gasoline

tax. While I do not agree with the concept, if it is adopted I would like it amended so that each state would benefit from some of the additional funds derived by the program. It is my opinion that if the federal government should enact a ten-, 20-, 30-, or even 40-cent increase in the federal gasoline tax to discourage gasoline consumption and generate additional income, there be legislation enabling each state to pick up 25, 50, or an even greater percentage of that tax at the state level. If the federal government's purpose in enacting this increase is to discourage gasoline consumption, they should not be too concerned as to where that money goes. We at the state and local level could obviously put that money to extremely good use, and at the same time, benefit the unemployment situation currently facing construction industry. While many consider this idea good, some think it inconceivable that the greedy spenders in Washington would let this money slip out of their hands. Rather than the federal government using this money to beef up its government building at the federal, state, and local level and hiring additional government employees to offset the unemployment situation, I think it only makes good sense to put this money to work where it would do the most good. That certainly would not be, in my opinion, in more government buildings nor in more government employment.