

MORE FUNDING FOR INDIANA HIGHWAYS

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INDIANA HIGHWAY NEEDS—\$250 MILLION MORE ANNUALLY

During a recent hearing by the House Roads and Transportation Committee on H.B. 1109, which is the highway tax bill, one committee member used the analogy of a department head asking his county council for an appropriation to buy some typewriters.

“You ask for three,” he said. “They authorize enough money to buy two and that’s fine with you, because all you really needed was one.”

Sound familiar? Standard operating procedure, right?

In this instance, however, there’s a serious flaw in the comparison. Although all of the revenue amendments hadn’t been incorporated yet, the committee knew that the intent of H.B. 1109 is to generate at least \$150 million in new money to get on with the job of maintaining and repairing Indiana’s roads, streets, and bridges.

By every accounting, including recommendations of the General Assembly’s own Transportation Advisory Commission (TAC), this is the absolute, barebones minimum required. As a matter of fact, TAC is unanimously on record favoring “not less than” \$250 million more annually to meet what their consultants defined as Indiana’s intermediate road and street needs.

This \$250 million isn’t a pie-in-the-sky figure. It was validated by reports which the commission got from hundreds of state and local officials and citizens—including quite a few of the people here today—during the 11 area public hearings held last year and from the excellent, detailed study of Indiana’s highway needs put together for TAC by Fred Musleh and his staff at Clyde Williams & Associates.

And yet, if we are to take his analogy seriously, what this legislator was implying is that, since you’re asking for \$150 million, you’ll be lucky if you get \$100 million, and this should please you enormously, because you really only need \$50 million.

ROADS DETERIORATING

I'm not saying that a majority of our legislators don't comprehend that Indiana's road and street programs are critically underfunded. Most of them certainly are aware of this. But I'm not nearly as certain that a majority of the General Assembly members understand the full scope of the problem or the consequences if we end up with nothing but "Band-Aid" remedies.

There are some legislators who still question whether the problem exists at all. Take a couple of aspirin, and it will go away. But it's not going to go away. The condition of our roads and streets can only get worse—rapidly worse—unless a lot of new money is made available quickly.

Neglect can be very expensive. A study made late last year by The Road Information Program (TRIP) indicated that unless a full-scale, sustained resurfacing program is launched immediately, by 1980 more than 40,000 miles of roadway throughout Indiana will have deteriorated to the point where it will have to be rebuilt.

A resurfacing program of this magnitude would cost about \$2 billion. That's a lot of money. But it's nearly \$7 billion less than the estimated ultimate cost—\$8.8 billion—if these roads are ignored until the only alternative is complete reconstruction.

BRIDGES DETERIORATING

Our bridges are, if anything, in even worse shape. There are 1,400 that are critically substandard and in need of immediate rebuilding or replacement; more than 8,100 more require major repairs. According to a just-released Federal Highway Administration study, there are 1,195 bridges on Indiana's federal-aid road systems that are now classified as functionally obsolete or structurally deficient.

I don't have to recite any more of these horror stories for this audience. Most of you are closer to the problem than I am. Nor do I have to tell you what our worst winter in history, followed now by freeze-and-thaw cycles, has done to Indiana's roads and streets.

SEVERE WINTER DAMAGE '76-'77

Harold Michael was the spokesman for another TRIP study, released during a national press conference in Chicago two weeks ago, which assessed severe weather damage to roads and bridges in 21 midwestern and eastern states. The estimated repair and reconstruction bill will be \$2.8 billion.

This is major structural damage to heavily traveled arterial routes—essentially the federal-aid primary, secondary, and urban systems—and the bridges on these roads. The study didn't even attempt to evaluate damage to local roads and streets. Indiana's share of the estimated highway destruction will be nearly \$50 million.

NO GROWTH IN HIGHWAY REVENUE

Enough about the problem. It is statewide, it is bad, and it is going to get much worse unless something is done. The crux of the issue is summed up in the highway revenue fact sheet which you were given this morning. All we have to do is look at the bottom line.

Total net dollars available to the state, counties, cities and towns from Indiana's regular highway-user tax sources were less in fiscal 1976, by some \$300,000, than in 1973.

These figures don't include monies transferred from the general fund to the MVH account in 1976 or federal-aid highway allocations. Nor do they reflect the millions of dollars which local government has had to drain from their federal revenue-sharing funds or other sources to plug some of the holes in their road and street budgets.

The principal reason for this no-growth in highway revenue is explained by the top row of figures. They show a slight decline in motor fuel consumption between fiscal 1973 and 1976. As you know, more than 70% of Indiana's highway revenue comes from taxes on gasoline and diesel fuel.

The other factor was a \$7 million increase in off-the-top deductions from the MVH fund. These diversions rose 16% despite the fact that the state police budget deduction was returned to the statutory 50% in 1975 and 1976. During the preceding two fiscal years, 75% of the state police budget came out of the MVH account.

Couple this static revenue with a big jump in highway construction and maintenance costs—about 40% during the same four-year period—and we have a nut-shell explanation of why Indiana's road and street programs and the roads and streets, themselves, are in the shape they're in.

THE PROSPECT OF MORE FUNDING FOR INDIANA HIGHWAYS

I've spent most of my allotted time talking about the need because, there, we're on solid ground. We've got that part memorized. It's when we start speculating about solutions, trying to fathom what the legislature is going to do, that we frequently get in over our heads.

Our pipeline to the General Assembly is on alternating current, fluctuating every 24 hours—and sometimes more frequently—between optimism and pessimism. I've been out of touch for about a week, so I'm not certain what the mood-of-the-day is. When I left last Friday we were in a semi-optimistic pattern and holding.

As you have heard, Governor Bowen is committed to a three-cent increase in the fuel tax as part of a package that will generate about \$150 million annually in new highway revenue.

On March 1, by a party-line 11 to 9 vote, the House Ways and Means Committee sent to the floor a bill that would accomplish this by mid-1978. It was up for second reading yesterday.

H.B. 1109—CONTENTS

H.B. 1109, sponsored by Rep. Jack McIntyre, would :

- Increase the fuel tax from 8 to 10 cents a gallon, effective July 1 of this year, with another penny being added July 1, 1978. Each penny of Indiana's gas tax yields about \$32 million.
- Add a dollar surcharge to the present excise tax on automobiles—now \$7 per \$100 valuation—with this new revenue, about \$18 million a year, going into the highway fund.
- Earmark revenue from one-fourth of one cent of the additional fuel tax, about \$8 million annually, for a toll road support fund.
- The balance of the new money—something between \$135 and \$140 million after mid-1978—would be distributed equally between the State Highway Commission and local government. The same 50-50 formula also would apply to revenue from the seventh and eighth cents of the present fuel tax, along with revenue from certain vehicle fee increases enacted in 1969. The State Highway Commission now gets 55% of this primary highway/arterial road and street (AR&S) money, with 45% going to counties, cities, and towns.
- The 50% portion of this revenue earmarked for local government would be apportioned according to the existing AR&S formula, with two important changes: (1) it could be spent on any road, street, or bridge project, and (2) it could be used for virtually any type of physical improvement, rather than just construction or reconstruction.
- Local government's matching requirement for these funds, now 10%, would be reduced 2% annually until it has been eliminated at the end of five years.

As I think the final bill was amended before second reading yesterday, the tax-on-the-tax was deleted (stripping about \$12 million a year from the general and property tax relief funds), and a provision reinserted requiring dealers to post the full price of fuel, including all tax, on the pump.

H.B. 1109—ISN'T BAD COMPROMISE

All in all, H.B. 1109 isn't a bad compromise package. Since it addresses the bare minimum needs, we would much prefer to have all of the new money made available immediately. But there is strong opposition to a one-shot, three-cent increase in the gasoline tax.

It is argued that this would put border area filling stations, service stations, and truck stops on Indiana's interstates in an unfair position with their competitors across adjacent state lines. There is some validity to this, but the overriding consideration of all this has to be—or certainly should be—Indiana's responsibility to provide its own citizens with good, safe roads and streets.

BOND FINANCING VERSUS PAY-AS-YOU-GO

One fact to keep in mind and to constantly remind the people who represent you in the General Assembly is that *all* of Indiana's neighboring states—40 of the other 49 states, to be more specific—rely heavily on bond financing to build and maintain their highways.

This means that these states can, at least temporarily, keep their highway-user taxes below our's because they are spending "borrowed time" money, which is obligating tax revenue now that they will be collecting over the next 10, 20, or in a few instances, even 30 years.

I like our pay-as-you-go philosophy. I think an overwhelming majority of Hoosier citizens like it. If it's something we need and want now, such as good, properly maintained roads and streets, then let's pay for it. Don't pass the cost on to the next generation of taxpayers. Mayor Beame of New York and a few thousand public officials elsewhere are belatedly wishing that their predecessors had practiced this dictum.

You have another hand-out showing what some of the other states are considering to get more road funds into the till. The highway revenue shortfall isn't a problem unique to Indiana. Michigan's governor has asked his legislature to boost the state fuel tax to 11 cents a gallon. It is now 9 cents on gasoline, and 7 cents on diesel fuel.

Governor Thompson of Illinois has suggested yet another bond issue for fiscal 1978—something on the order of \$400 million this time—to help keep that state's highway program in gear.

Ohio's highway program is in trouble. The governor is presently on record opposing any tax increases, and it's costing the state nearly \$100 million a year just to retire previous transportation bond issues.

Kentucky already has a nine-cent fuel tax and a lot of federal money, including Appalachian development road funds, and is sitting tight. Their legislature isn't in session this year. Over the past years, Kentucky has issued highway and parkway bonds totaling more than \$1 billion.

The moral of all this? If, for the time being, Indiana's highway taxes may be higher than those in most other states, so be it. Being solvent isn't all that bad.

CHANCES OF H.B. 1109 AND PARTY POSITIONS

What are the chances for H.B. 1109 or a reasonable facsimile? Right now, probably slightly better than 50-50. It is, like just about everything else in the Indiana General Assembly except maybe some joint resolutions condemning war and famine, a highly partisan issue. But, for the most part, the differences relate to dollar amounts and methods of raising the dollars. There is general agreement, among both Democrats and Republicans, that something needs to be done.

For the most part, up until now, the Democrats have been talking smaller figures—on the order of \$100 million a year—with the sales tax on fuel being repealed and replaced with a two-cent increase in the gallonage tax.

As to the method, we have no argument with this philosophically. It would funnel a larger percentage of taxes collected from motorists into Indiana's road and street programs—where they belong.

But, unless other new tax money is provided to supplant the \$55 million or so that this would strip from the general and property tax relief funds, I think we can make book on Governor Bowen's veto of such a bill if it should get out of the legislature. In other words, it doesn't appear to be politically or fiscally feasible.

And we strongly disagree, of course, with the assumption that \$150 million in additional road revenue is oversized and unnecessary. The simple truth is that it isn't enough. Anything less will merely mean that these same battles to get Indiana's road and street programs adequately funded will have to be fought all over again next year and, since that will be election time, probably the year after that.

In other words, this is the year of decision. Chances are the matter will be settled for better or worse by a conference committee during the final, dog-days of the session. If it's for the worse, there will be a long dry spell for efforts to maintain and improve Indiana's highway transportation system.

OTHER ROAD BILLS

There are only a couple of other bills before the legislature that directly relate to road funding. These relate to exempting county cumulative bridge funds from the property tax freeze (S.B. 271) and to permitting use of this money for improvement of bridge approaches. Our report is that, at present, these bills look reasonably good for passage.

EXPECT NO HELP FROM WASHINGTON

One final comment. As for any help from Washington for highways, don't count on it. Hinderance, yes, but not much help. I don't believe there will be a highway bill this year; it's not due until 1978. When we get it, it's a cinch that it will again call for abolishment of the Highway Trust Fund, to be replaced with an all-inclusive transportation trust fund. We'll fight that battle when it comes. Right now, the important war is being waged in Indianapolis. Let's hope we win.