

Indiana Transportation Funding Update

Presented at the 2016 Purdue Road School

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Transportation Funding Proposals: Indiana is **NOT** Unique

Across the country, 23 State's are Considering Proposals for Increased Funding w/44 bills Introduced thus far in 2016 Legislative Sessions

Solutions include:

- **Higher Gasoline & Diesel Taxes**
- **Taxes on Alternately-fueled Vehicles**
- **Taxes/Increased Fees on Electric Vehicles**
- **Sales Taxes**
- **Taxes Indexed for Inflation, Floors Installed**
- **Bonding**
- **Involves Both State & Local Jurisdictions**



FAST Act

- Passed in December 2015, Fixing America's Surface Transportation (FAST) Act authorizes Federal highway, highway safety, transit, and rail programs for five years from Federal fiscal years (FY) 2016 through 2020
- First long-term authorization act in a decade



Highlights

- Authorizes \$305 billion from both the Highway Trust Fund and the General Fund
- Builds on the program structure of the previous act, MAP-21
- Creates a National Multimodal Freight Policy to improve the movement of freight on the National Freight Network
- Streamlines project delivery through an improved review and permitting process



FAST Act Funding

- Total Funding Appropriated by the FAST Act over Federal FY2016-2020

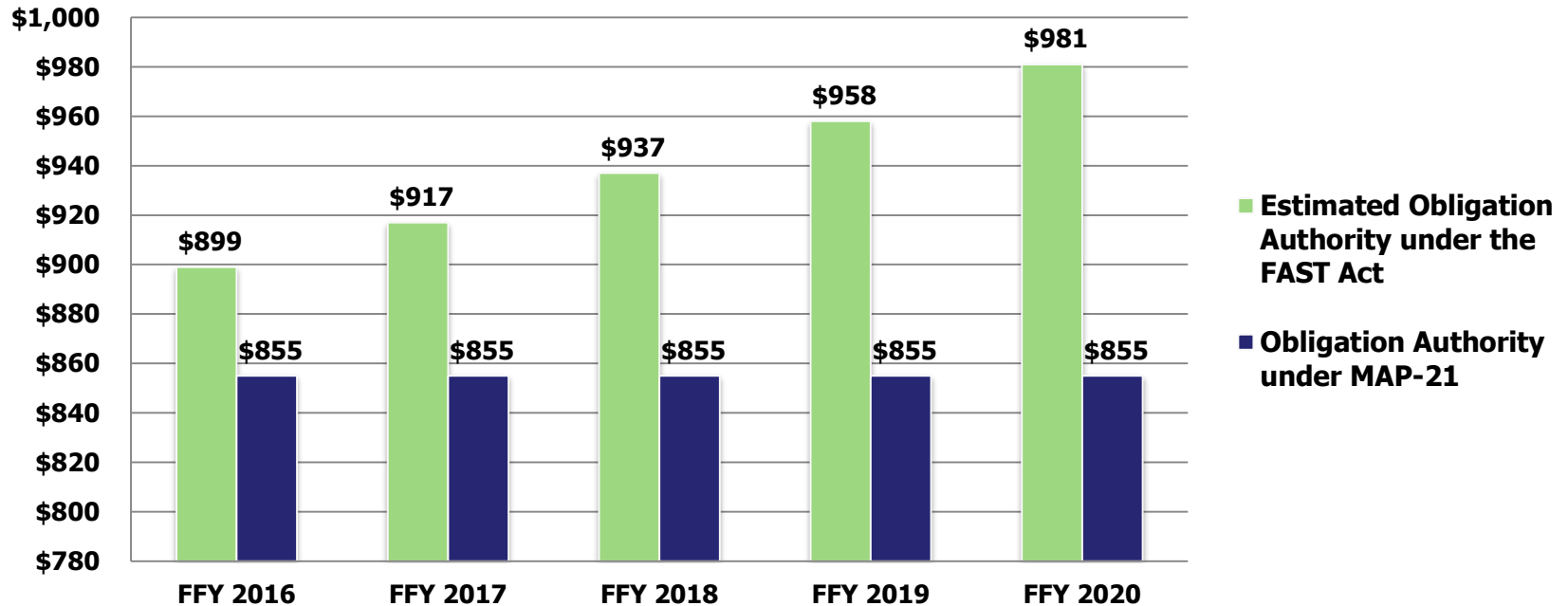
Program	Total Funding under FAST Act (billions)
Federal Highway Administration	\$226.3
Federal Transit Administration	\$61.1
Federal Railroad Administration	\$10.3
National Highway Traffic Safety Administration	\$4.7
Other	\$2.6
Total	\$305.0



Highway Funding - Indiana

- The FAST Act will result in an estimated net increase of \$417M in federal highway funding for Indiana
 - 75% allocated to State (\$313M) and 25% allocated to LPA's (\$104M)

(In millions)



- (1) Before post-apportionment set asides; before penalties; before sequestration.
- (2) Obligation Authority (OA) estimated using national average of 93% of Apportionment.
Note, actual % of OA apportionment can vary by year.



Key Program Changes - Highway

- The FAST Act creates a Surface Transportation Block Grant Program (STBGP)
 - Previously titled the Surface Transportation Program (STP) under MAP-21
 - Increases the % of funds that go to urbanized areas in 1% increments annually
 - The Transportation Alternatives Program (TAP) and Recreational Trails (RT) Program were changed to now be apportioned as a percentage of STBGP
 - No increase in RT and a less than 2% increase in TAP



Key Program Changes - Freight

- The FAST Act creates a Nat'l Multimodal Freight Policy.
 1. The National Freight Program
 - New core program
 - Use of the apportionment is governed by the number of Primary Highway Freight System miles in a State in proportion to total national freight miles
 - ❖ Indiana has over 2% of total national freight miles
 - ❖ Per (Sec. 167) of the FAST Act this would suggest funding must be spent on the primary freight system, critical rural corridors, or critical urban corridors only
 - ❖ IN Division of FHWA and INDOT still reviewing guidance which may further clarify
 - Recommends a freight advisory committee and requires a state freight investment plan be developed by State DOT's



Key Program Changes - Freight

- The FAST Act creates a Nat'l Multimodal Freight Policy.
 2. Nationally Significant Freight and Highway Projects Discretionary Program
 - Provides assistance for projects of national or regional significance
 - Requires a grant application and covers 60% of the project
 - Congress can pull back funding after the Secretary of Transportation approves a grant



Key Program Changes - Rail

- The FAST Act includes authorization for rail programs for the first time in the surface transportation bill.
 - \$10.4 billion in total rail program funding under the FAST Act are authorized for five years from the General Fund:
 - \$8.2 billion to Amtrak
 - \$2.2 billion for the FRA programs.



Ongoing Challenges

- As noted by AASHTO -
 - The bill contains language to rescind \$7.6 billion of highway program contract authority in July 2020. This provision could restrict the ability of States to program Federal dollars.
 - In past years rescissions affected prior ACT apportionments more than current year ACT apportionments due to the difference between the amount of contract authority a state is given and the amount of obligation limitation a state can utilize against said contract authority.



Ongoing Challenges

- As noted by AASHTO -
 - Long-term, sustainable funding for transportation is yet to be achieved. Because the bill relies on \$70 billion of General Fund support, the expected annual gap between Highway Trust Fund income and spending in 2021 is expected to reach \$20 billion.



USA Transportation Infrastructure Conditions: How Does Indiana Rank?

Structurally Deficient/Functionally Obsolete Bridges:

- **National Average: 25.3%**
- **Indiana Average: 22.0%**
- **Rank Among States: 21st (vs. Best – Minnesota)**



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Extra Vehicle Repairs (Roads Need Fixing):

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Percentage of Roads in Poor/Mediocre Condition:

- **National Average: 49.0%**
- **Indiana Average: 17.0%**
- **Rank Among States: 1st (vs. Best – Indiana)**



Traditional Transportation Funding: A Confluence of Diminishing Returns

- **Federal Gas Tax Established in 1932 (Herbert Hoover)**
\$.01/gallon
 - **Average Car = 9 miles/gallon**
- **Interstate System Implemented in 1956 = \$.03/gallon (Fed Gas Tax)**
 - **Average car = 14 miles/gallon**
- **Today = \$.184/gallon (Fed Gas Tax);**
 - **Average Car = 23 miles/gallon**
- **Vehicle Miles Traveled has Leveled off in 21st Century**
- **CAFÉ Standards: Light Duty Vehicles 54.5 MPG by Model Year 2025**



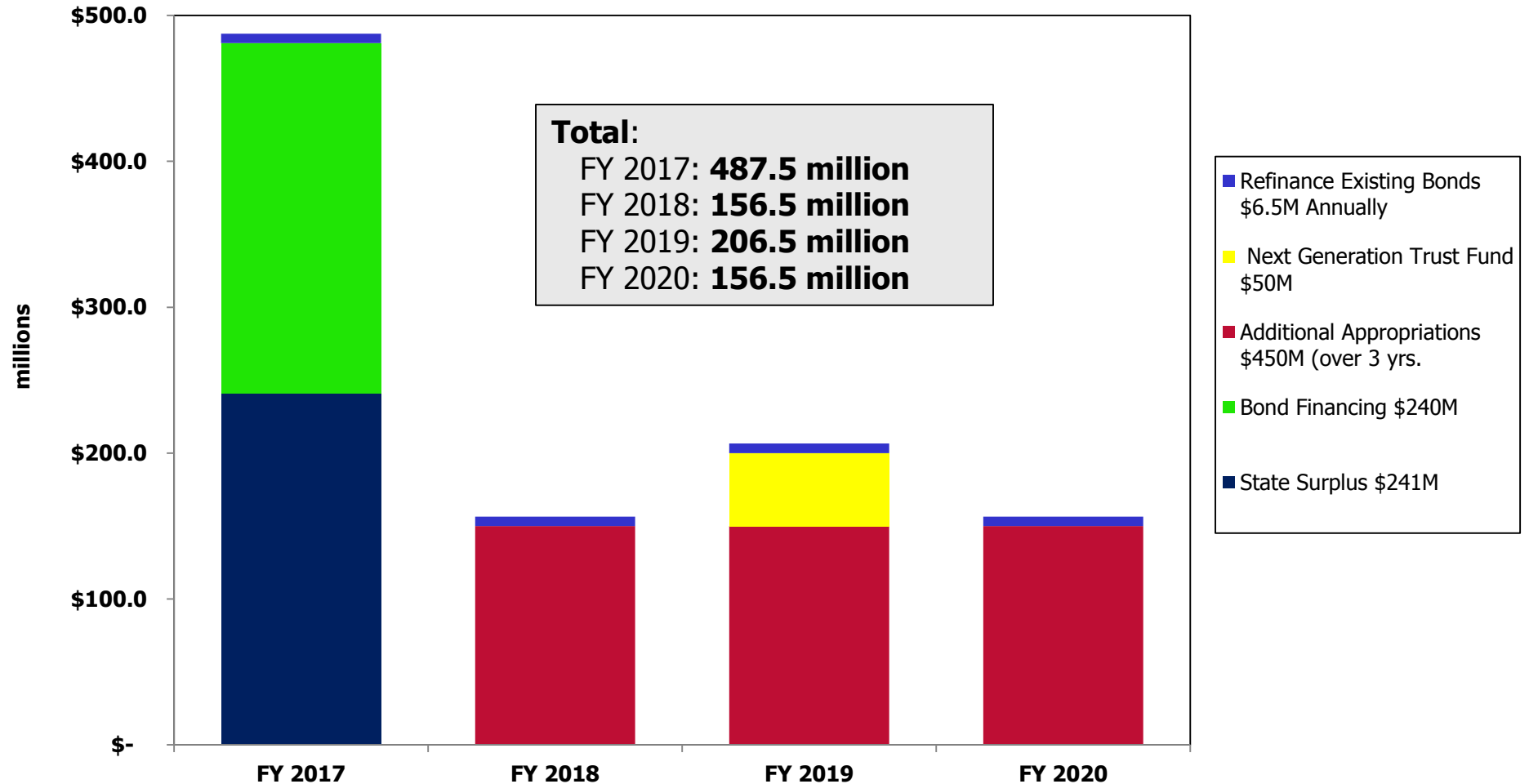
Traditional Transportation Funding: A Confluence of Diminishing Returns

Stated Another Way...

- **Gas Tax, if Indexed to CPI since 1956 would be:**
 - **\$.265/gallon instead of \$.184/gallon (Worth \$14 Billion Annually – a 30% Increase Federal Funding)**
 - **Average Gallons Consumed per Mile has Decreased by 52% since 1956**
 - **One Mile of Interstate in 1956 cost \$650k. Today it costs \$14,000,000 to \$23,000,000/per mile depending on circumstances**
 - **Indiana's Vehicle Miles Traveled has Remained Relatively Flat Since 2001**



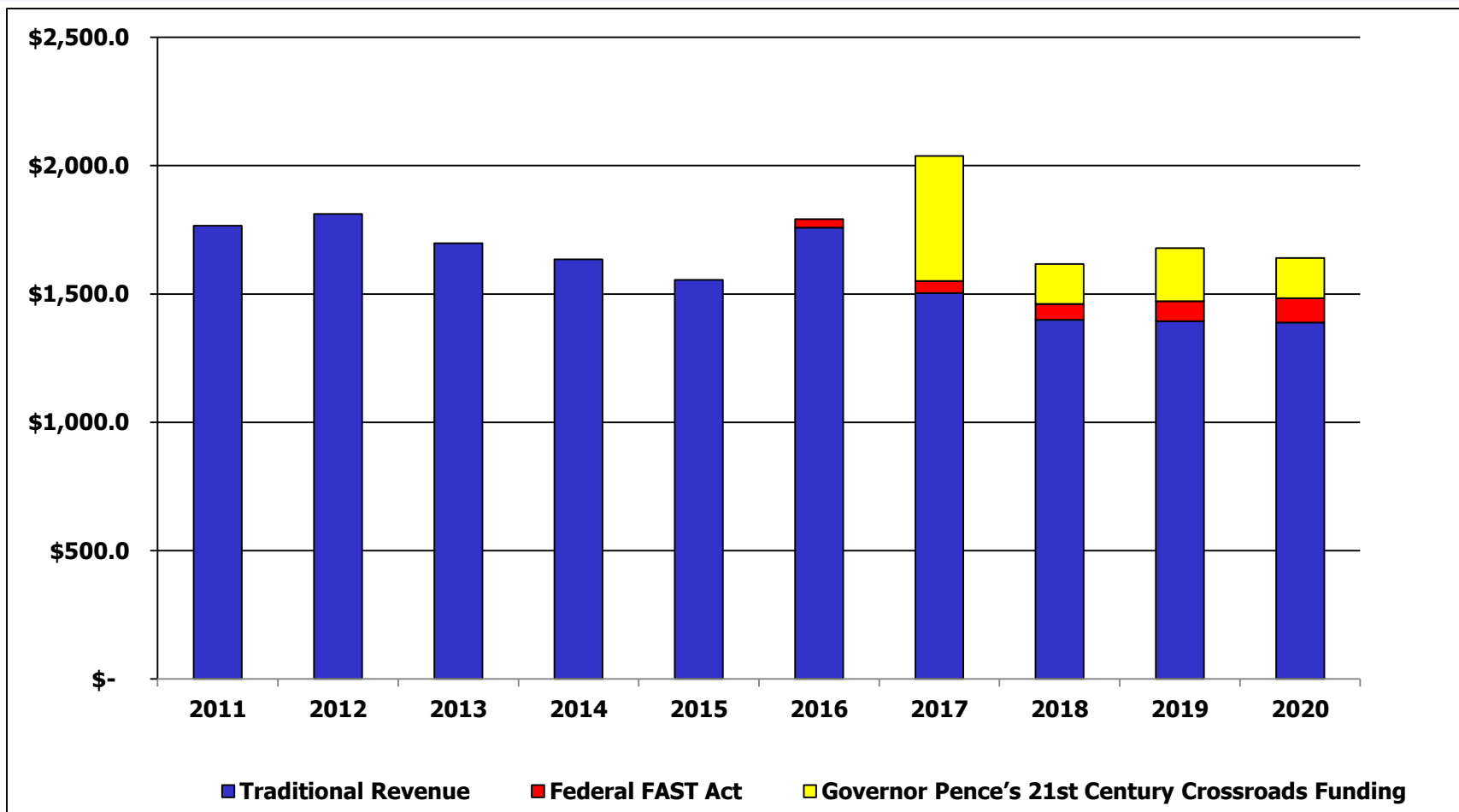
21st Century Crossroads Funding Governor Pence's Proposal



\$1 Billion Stimulus Program Without New Taxes



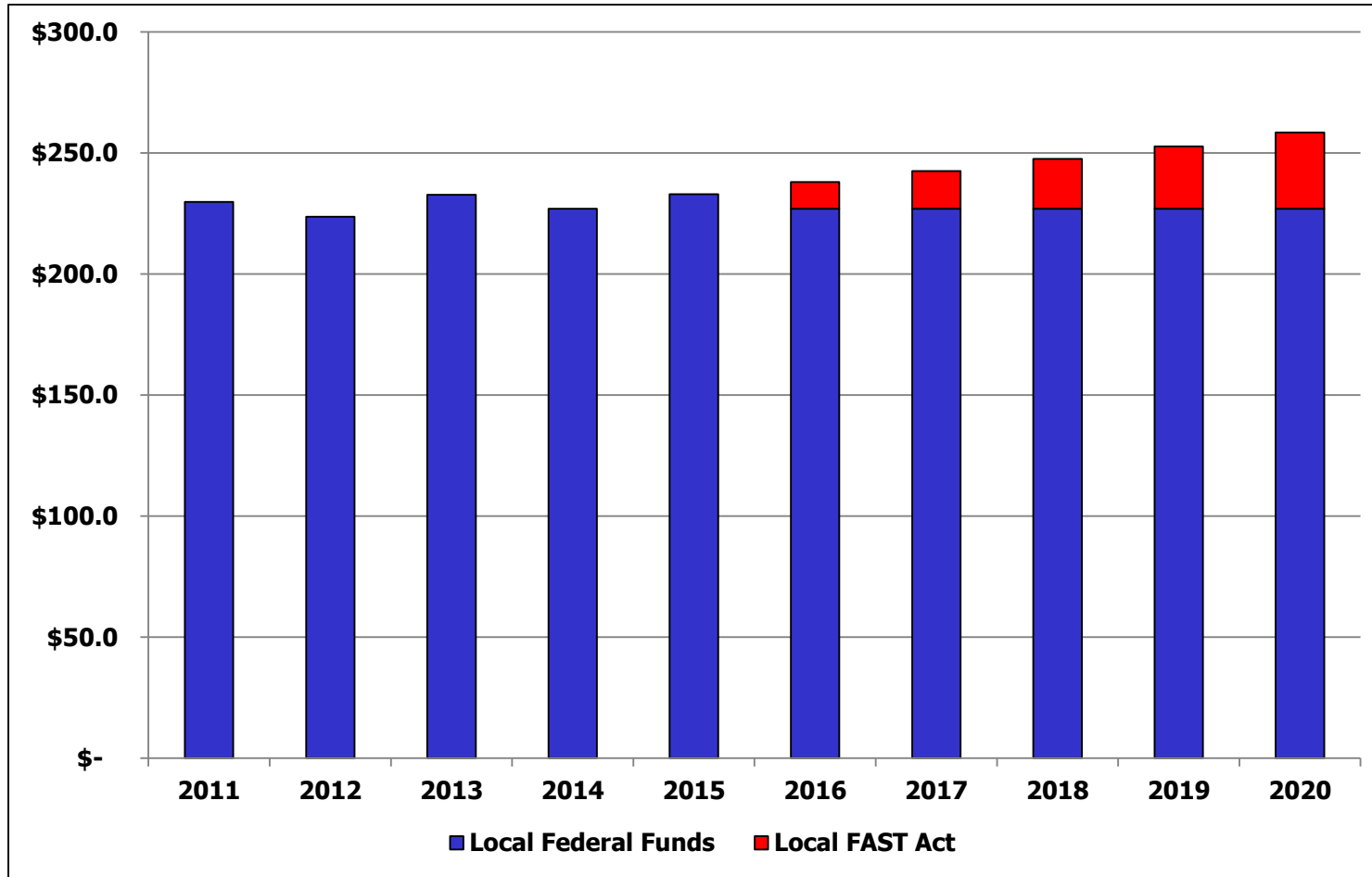
Traditional Revenue – State Program



Amount Reflects Federal and State Traditional Revenue Sources Plus Major Moves, MM 2020, Next Generation Trust Fund, FAST Act and 21st Century Crossroads.



Local Federal Funds



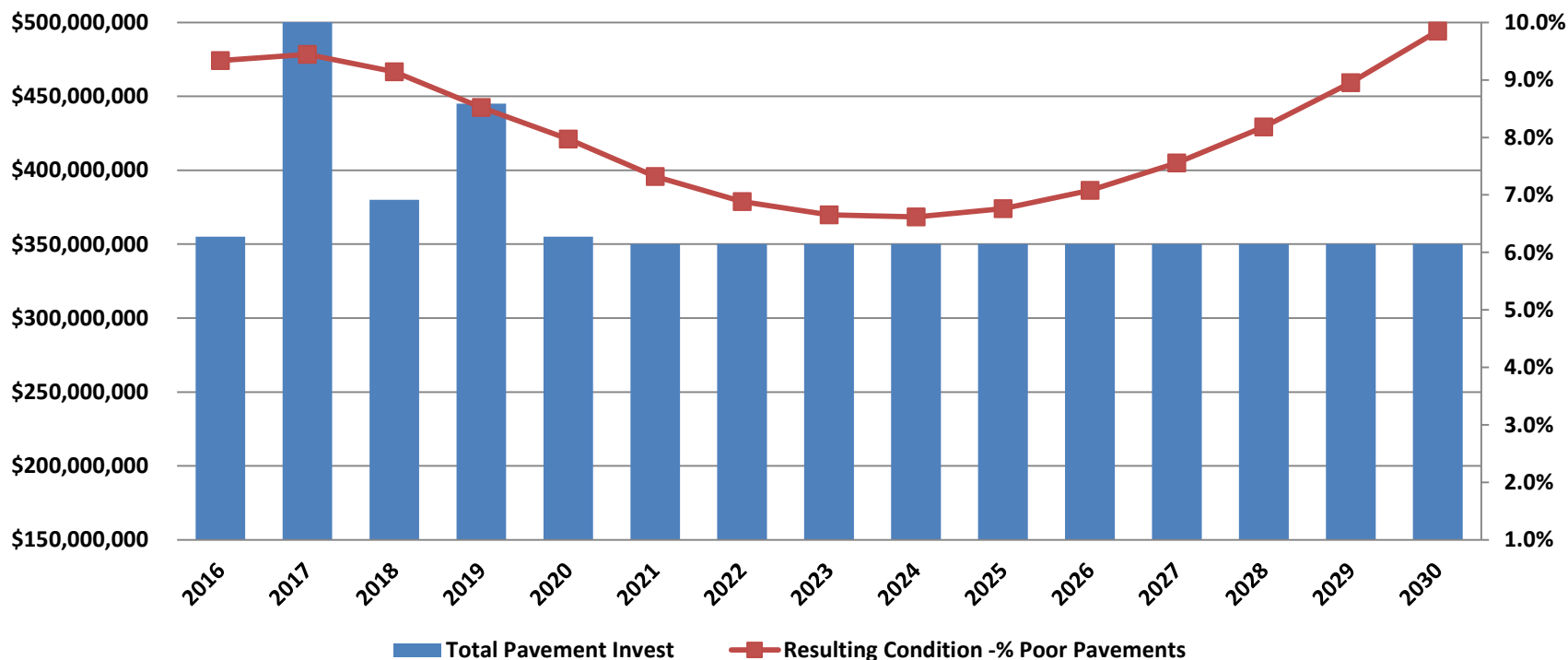
FAST Act Est
FY16: \$11.0M
FY17: \$15.5M
FY18: \$20.5M
FY19: \$25.8M
FY20: \$ 31.5M

The Additional Funds Provided By FAST Act will Increase Local Federal Funds by over \$100M in the Next 5 Years



Funding Governor's Proposal – Pavement Impact

21st Century Crossroads Additional \$1 Billion Result for Pavement Front End Loaded

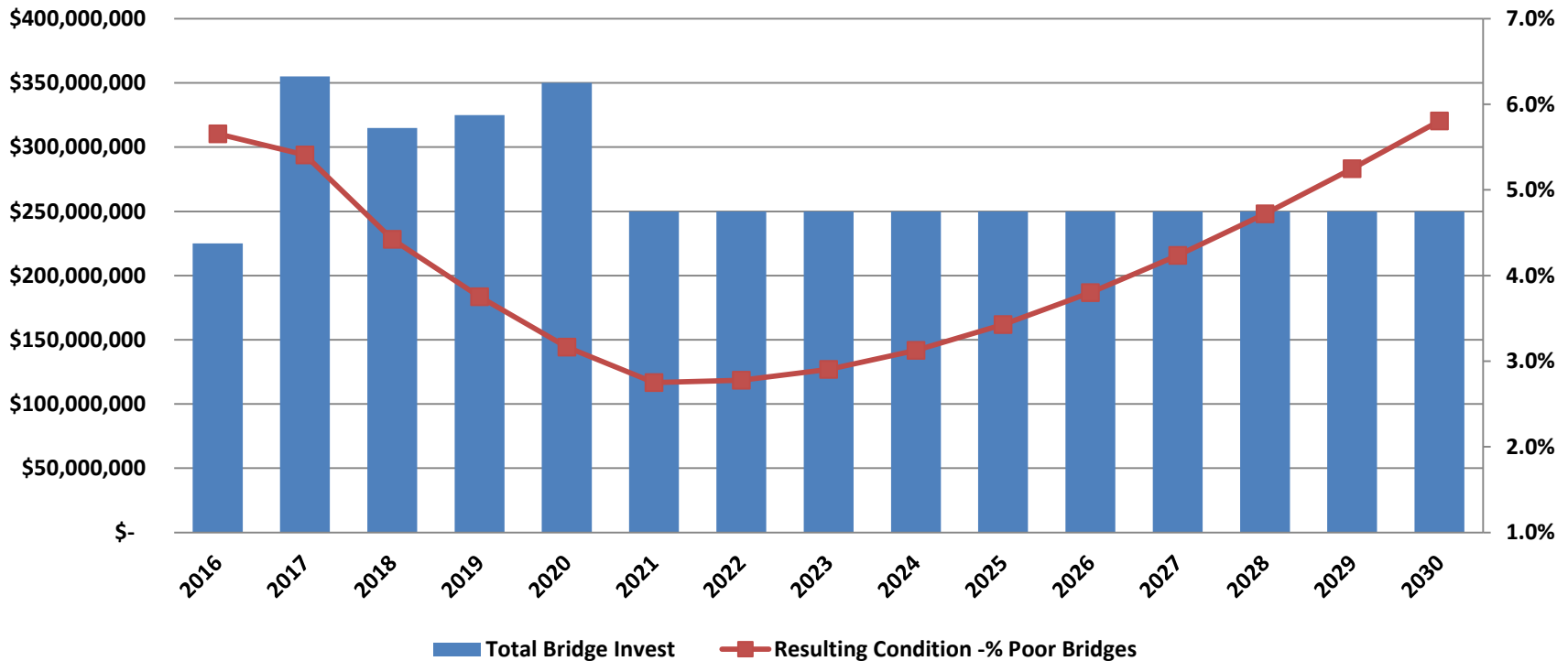


Incremental Spending from the Stimulus has an Almost Immediate Favorable Impact on Condition Ratings that Cannot be Sustained Without a Long Term Funding Solution.



Funding Governor's Proposal – Bridges Impact

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House Bill 1001 Road Funding Highlights

- 1. Dedicated State Reserves in Excess of 11.5% of Budgeted Appropriation to Roads (\$460M)**
 - **1st \$30M to Local Road and Bridge Matching Account; remainder to State Highway Fund**
- 2. Dedicate 5 cents of Gas Use Tax to Road Funding**
- 3. Index Gasoline, Diesel, & Motor Carrier Surcharge Taxes from 2002 (\$180M/yr)**
 - **Expected Increases:**

Gas Tax	4¢/gallon
Diesel Tax	4¢/gallon
Surcharge	3¢/gallon



House Bill 1001 Road Funding Highlights

4. **Annual Statewide Registration Fee (\$100) for All Electric Vehicles**

5. **New Local Tools**
 - **Creates the Local Road and Bridge Matching Grant Account**
 - **Local Option Income Tax (LOIT) for Roads and Bridges**
 - **Municipal Option Excise Surtax/Wheel Tax**
 - **Increase Max Allowable Rates: Existing Cty. Surtax/Wheel Tax, Qualifying Ctys**

6. **Increase Cigarette Tax to \$1.995/pack (Medicaid Provider Reimbursements)**



Senate Bill 333 Road Funding Highlights

1. Local Plan (Originally SB 67)

- **Immediate Supplemental Distribution of Local Income Tax **\$430M** (FY2016)**
- **County/Municipal Wheel & Surtax – Doubles Authority to Raise \$366M/year**
 - **Adds Cities > 10,000 population Opportunity to Raise Additional \$90M via Wheel & Surtax**



Senate Bill 333 Road Funding Highlights

2. State Plan

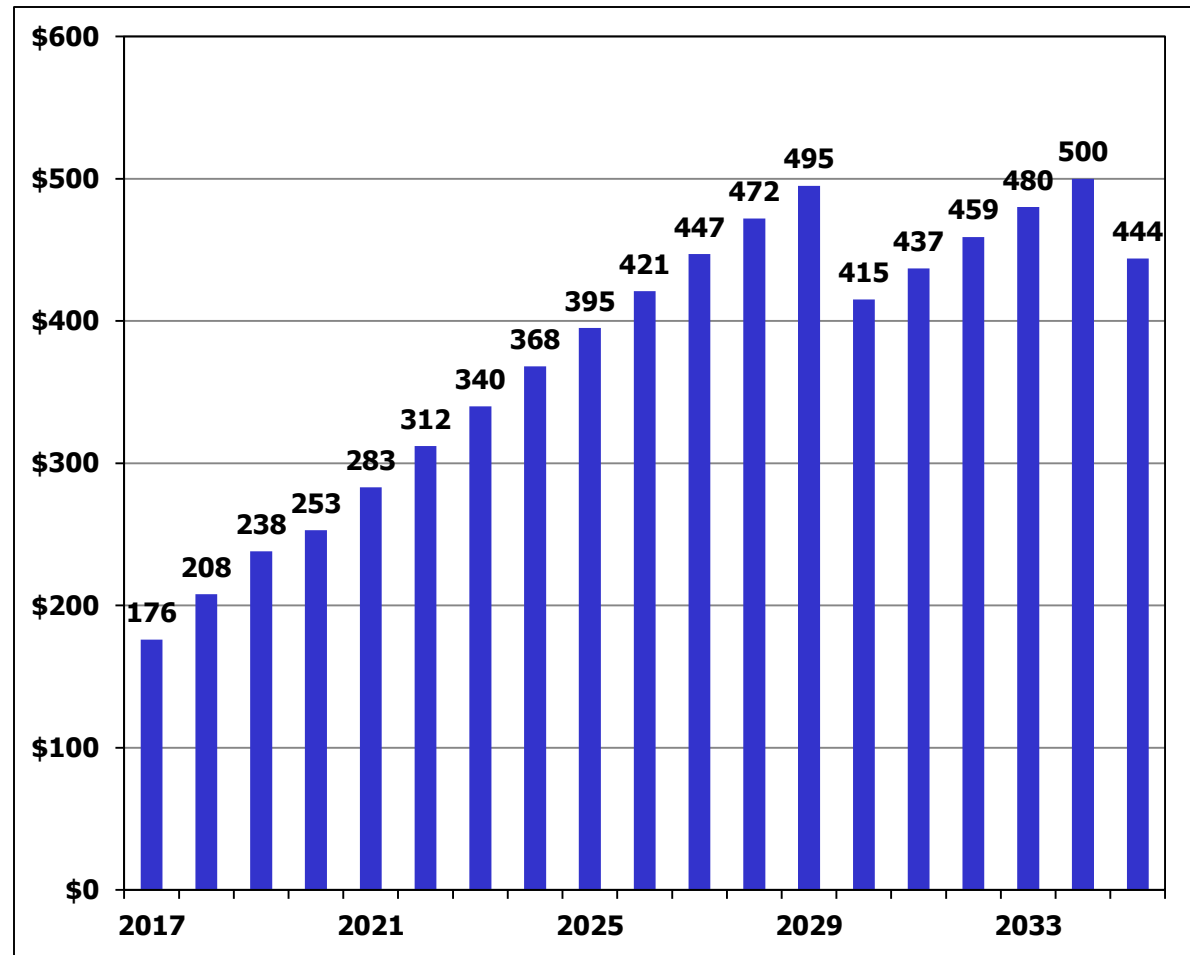
- **Allows Use of Excess Reserves (>11.5%) to be Transferred to the State Highway Fund (\$429M)**
- **Appropriate \$450M in Future Budgets**
- **Refinancing Existing Bonds (\$26M)**
- **Assess \$100 on Electric Vehicles; \$50 on Hybrids, Split Between State and Locals**

Details Also Include the Development of FIRSST Task Force Whose Mission is to Develop a Sustainable Funding Plan for Long Term State Transportation Needs.



Cambridge Study: Difference between Costs and Expected Revenue for Scenario 1

1. INDOT current operating expenditures
2. Achieve Recommended Pavement Conditions:
<= 3% Poor-Interstate; <=5% Poor-Non-Interstate by 2034
3. Achieve Recommended Bridge Conditions: 3% Poor
4. Completed ongoing statewide priorities
 - US 31 Freeway Upgrade Project
 - I-69, Section 6

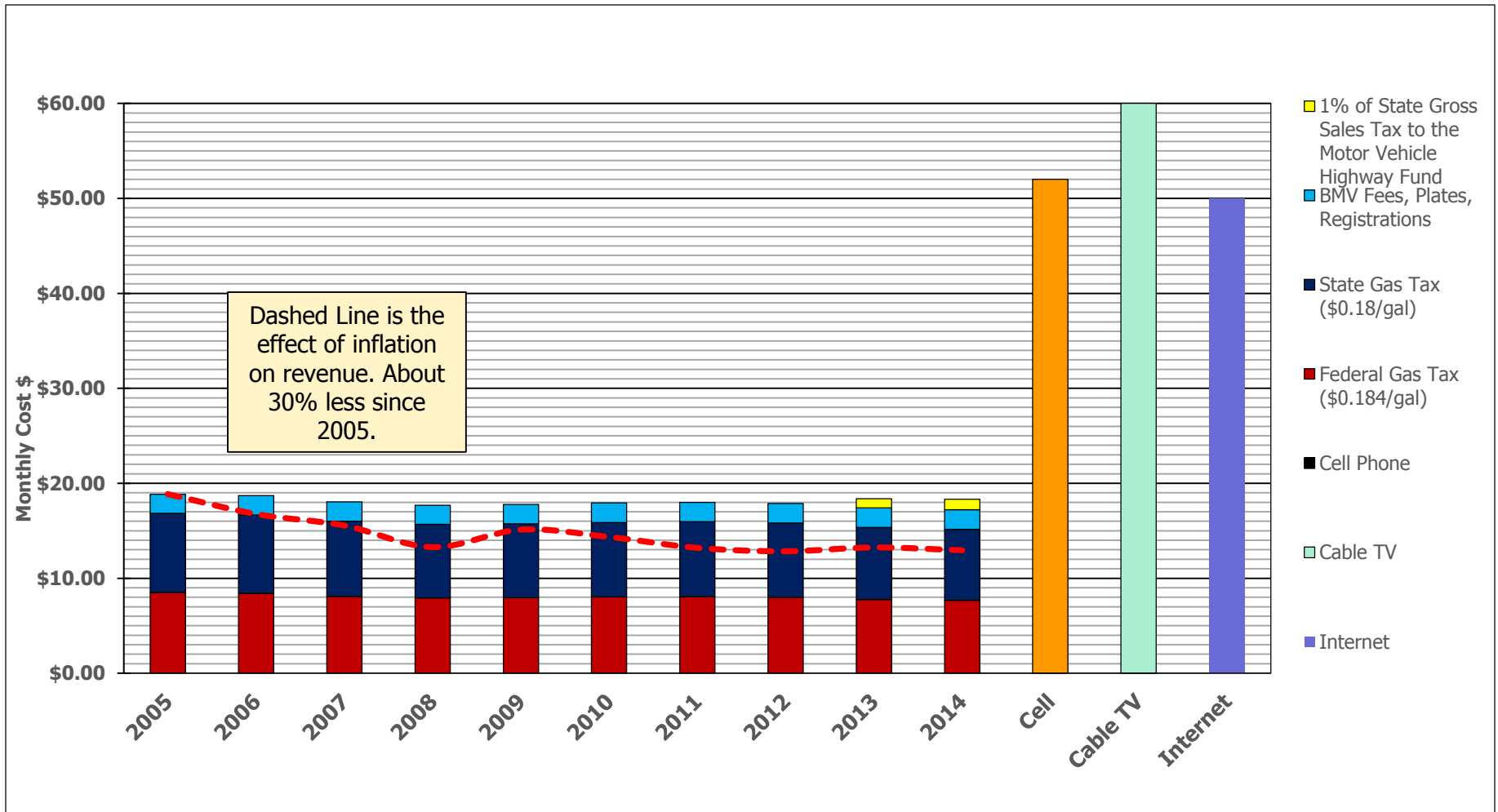


Average difference = \$376 M/year

Information from Cambridge Systematics Information Funding Mechanism Study, October, 2015



Funding Transportation: A Relative Cost Comparison



Priorities: We taxpayers choose to pay more for cell phone, cable TV and Internet than for use of the highway system.

The "fixed" highway revenues lose purchasing power each year.



Questions?

Thank you

