Indiana’s Fuel Tax Revenues

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Chief Financial Officer, INDOT

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What is the projected consumption of gasoline fuel in the United States by 2025, will it...

- Increase by 5%
- Increase by 10%
- Increase by 20%
- Decrease by 5%
- Decrease by 10%
- Decrease by 20%
Gasoline fuel consumption in the United States is expected to:

Decrease on the order of 20% by 2025

Source: Transportation Research Board, “The Fuel Tax and Alternatives for Transportation Funding” Copyright 2006 by the National Academy of Sciences
In FY2014 fuel tax revenues will total $811.8M.
By FY2025 fuel tax revenues will total $732.8M, a reduction of $79M from our current level.

Total state revenues. Does not include federal funds.
Since 2002, vehicle miles traveled have remained relatively flat. This is primarily attributable to the struggling economy and higher gasoline prices.
In August 2012, new Corporate Average Fuel Economy (CAFE) standards were finalized for model years 2017-2025.

Between 2004-2010, the national average fuel efficiency improved by 4 MPG (19%). New federal standards will increase the fuel efficiency of light duty vehicles for new model vehicles to 54.5 MPG by model year 2025.

Indiana’s gasoline/gasohol consumption has fallen 9.7% since 2005, due in part to improved fuel efficiency and rising gasoline prices.
Indiana Diesel Tax Revenue Outlook

- Fuel efficiency of heavy trucks is now regulated.
- By model year 2018:
  - Big rigs/semi-trucks are required to achieve approximately 20% reduction in fuel consumption (expected savings = 4 gallons of fuel for every 100 miles).
  - Heavy duty trucks and vans are required to achieve approximately 15% reduction in fuel consumption (expected savings = 1 gallon of fuel for every 100 miles).

Diesel tax revenue will be impacted the same as gasoline; increased fuel efficiency means fewer gallons consumed.
Diesel fuel tax rate is $.16 per gallon.

Indiana’s diesel fuel consumption fell over 12% between 2005 and 2010, and remains below pre-recession levels. Diesel consumption is highly correlated to the level of economic activity as measured by GDP.
In conjunction with JTRP, INDOT developed projection models to test different scenarios for possible fuel tax revenue outcomes. Presented here is the “most likely” outcome for gas tax revenues given current fleet turnover trends.
Indiana could lose up to $305M in gas tax revenues if all vehicles on the road today were replaced by newer, more fuel efficient vehicles by 2025. This erosion of fuel tax revenues impacts transportation funding at all levels of government – state, local & federal.
Enrolled Act 1001 provided a significant increase in state funded revenue to INDOT in FY14. While providing resources for matching federal funds and preservation investment, it did NOT address the long term outlook of declining revenues associated with fuel taxes.
Recall Last Year’s History Lesson

The federal fuel tax was first adopted during the Hoover Administration as part of the Revenue Act of 1932.

On June 21, 1932 the fuel tax was officially initiated at a rate of:

- 1 cent per gallon
- The retail price of gas was 10 cents per gallon.
What If Scenario

- What if the ratio of fuel taxes to the price of a gallon of gasoline was maintained at the same level as in 1932?
  - At a 10% ratio of fuel tax to the price of a gallon of gas:
    - Federal fuel tax would be about **35 cents per gallon**.
    - Rather than the current rate of **18.4 cents per gallon**.
    - And it would add **$23 billion a year to the HTF receipts**.

NEXT QUESTION
The federal fuel tax on gasoline was last increased in what year?

- 2006
- 2002
- 1993
- 1997
- 1984
- 1975
The federal fuel tax on gasoline was last increased on: **October 1, 1997.**

- The increase was .1 cent per gallon.
- The tax on a gallon of gasohol was last raised in 2005 from 13.2 cents per gallon to its current level of 18.4 cents per gallon. The same tax as on a gallon of gasoline.

Note: The Federal fuel tax rate on gasoline was raised to 18.4 cpg from 14.1 cpg on Oct. 1, 1993 then reduced to 18.3 cpg on Jan. 1, 1996 only to be raised again to 18.4 cpg on Oct. 1, 1997.

Source: Federal Highway Table FE-101A.
Since federal FY2009, over $35B has been infused into the Federal Highway Trust Fund to keep it solvent.
The Congressional Budget Office projects a shortfall in the Highway Trust Fund Account by 2015. But, it could face a shortfall yet this year.

### Federal Highway Trust Fund

#### Dollars in Billions

##### Highway Account

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##### TOTAL HTF BALANCE

|  | $7 | $3 | -$13 | -$29 | -$45 | -$61 | -$77 | -$95 | -$113 | -$132 | -$152 | -$172 |

Based on current spending & revenue trends, the U.S. Department of Transportation estimates that the highway account of the HTF will experience a shortfall before the end of this FY.

Source: FHWA
As we have seen federal funding beyond FY14 is uncertain. But, assuming the HTF continues to be funded at current levels, we predict that INDOT will receive $698M and local governments will receive $233M per year from FY15 through FY19.

*Figures represent obligation limitation for core programs; does not include project specific funds, transfers or federal funds distributed to local governments for transportation projects.*
A White House Fact Sheet released on Feb. 26, 2014 proposed increases in transportation funding of 22%. The proposed budget increases highway funding by 17.6%. This translates into a 20% increase in Indiana’s funding levels due to Indiana’s attribution rate which has risen steadily since the recession. Local governments would see their funding level rise to $272M per year if congress adopts the administration’s proposed increase in highway funding.

*Figures represent obligation limitation for core programs; does not include project specific funds, transfers or federal funds distributed to local governments for transportation projects.
We asked
They listened
And
They Responded
Enrolled Act 1001

- Eliminates Department of Revenue, Indiana State Police and Bureau of Motor Vehicles from Motor Vehicle Highway Account Funding.
  - Revenue net impact estimate = $130M
- Redirects 1% of sales tax collections from the general fund to the Motor Vehicle Highway Account.
  - Revenue impact estimate = $71.4
JTRP Studies

The Joint Transportation Research Program is undertaking three studies of significant financial consequence. These are:

- SPR-3757 Overweight Loads
- SPR-3704 Cost Allocation
- SPR-3829 Vehicle Miles Traveled
Overweight Loads

Enrolled Act 1481, which amends divisible load permits, requires INDOT to address the impact of overweight divisible loads on:

- Road & bridge degradation
- Alternative modes of transportation
- Indiana’s economy & job growth
- Indiana’s business & economic competitiveness in the Midwest
Cost Allocation

Last updated in 1989, this study compares the cost responsibility and revenue contribution of:

- Indiana vehicle classes
- In-state and out-of-state vehicles

...for the construction, maintenance and operation of Indiana’s roads and bridges.
Vehicle Miles Traveled

- Vehicle class
- Highway functional class
- Time of day
Questions?

Contact Information

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