INDIANA STATE HIGHWAY
FINANCIAL PICTURE AND
PROGRAMS FOR 1976

RICHARD A. BOEHNING
Chairman
Indiana State Highway Commission

HIGHWAY USE INCREASING—
MAINTENANCE DECREASING

Unless we are prepared to let the highway system in Indiana go
the same way as the railroads, some major problems have to be solved.

In Indiana we have an over $8 billion investment in the state high­
way system alone. We are already years behind in our resurfacing,
our bridge replacement, and our maintenance programs. Overweight
trucks overstress already over-used bridges and another bridge collapses
and another road is closed. Hoosiers complain from every corner of
the state that their roads are in the worst condition and that they
need to be resurfaced or reconstructed right away.

We cannot afford to let the roads keep deteriorating if we expect
to maintain the lifestyles and standard of living we are experiencing
today. At least 90 percent of the movement of all people and goods
in Indiana is over the highway system. Indiana ranks above the national
average of around 6,000 miles traveled annually per citizen with
almost 7,000 vehicle miles traveled per individual. In 1974, Indiana's
vehicle registrations were up 40.8 percent over registrations in 1964.
The 1975 registrations were up almost two percent again over 1974
registrations. The increasing vehicle registrations in Indiana reached
almost 3.4 million vehicles in 1974.

This trend is increasing a little faster than the population trend,
but both are continuing to rise as are travel trends in Indiana. Travel
trends have also risen sharply in the past ten years. Although they are
beginning to level off more recently, they are still increasing some.

The 1967 Needs Study projected the population and vehicle regis­
trations fairly accurately. The travel trends, however, surpassed every­
one's expectations. Based on the actual increases in travel in Indiana,
a study now planned for this year would be beneficial to determine the
effects of the increases in travel and the increasing dependence on our highway system to transport people and goods.

Transportation expert L. W. Schaller, recently retained by the Indiana Department of Commerce to study Indiana's interstate commerce, said "transportation is a very important factor in the economy of the state of Indiana, especially in the movement of agricultural products..." The value of Indiana's crops has risen from about $685 million in 1970 to over $2 billion, 39 million in 1974. All agricultural goods use Indiana's streets and highways at some points in the trip from farm to market to tables.

The revenues generated from common carriers are up 65.9 percent since 1970 with totals reaching a little over $1 billion. The diesel miles have increased 157 percent since 1966.

Schaller further states that Indiana's over 1,100 miles on the interstate system and over 10,400 miles on the state system make ideal conditions for truck movement. He also refers to the help I-64 will be to the development of water transportation when opened this year. This is another demonstration of the fact that highways play an important role in all modes of transportation. Highways link airports and ports to population centers and highways carry resources to railway stations and people to markets.

While Indiana's economy and its citizens depend on its highways, the need to maintain and replace highways is growing and the costs to maintain and replace highways are growing, too.

INFLATION SERIOUS—LABOR AND MATERIALS UP 100-300 PERCENT SINCE 1966

Inflation and rising costs are the primary reason for the increasing need for more money to maintain highways. Costs are up in all areas of highway construction and maintenance. (See Figure 1.) Steel is up 212 percent over 1966 prices, asphalt is up 290 percent, and concrete costs are up 106 percent since 1966. Labor, too, has increased about 127 percent since 1966.

Teamsters' wages and fringe benefits per hour have increased from just over $3 in 1966 to over $7 in 1975, an increase of 147 percent. (See Figure 2.) Other contractual labor has also increased. Carpenters' wages are up 110 percent, heavy equipment operators' wages are up 126 percent and laborers' wages have increased 124 percent.

It takes more and more money, yet we accomplish less and less. I sometimes feel that we are spreading the maintenance dollar so
thin that no one can see the benefit. Yet we must protect our investment and we are trying to the extent funding allows.

Figure 1.

HIGHWAY WAGE INCREASES

Figure 2.
ALL MAINTENANCE LAGS—RESURFACING AND BRIDGES MOST SERIOUS

Experts recommend that highways be resurfaced every ten years. In Indiana, the state should be resurfacing a minimum of 1,200 miles per year as illustrated by the top line on Figure 3. Instead, because of a lack of funds, we have been resurfacing many less miles. Figure 3 illustrates how short we have fallen. For 11 years we have resurfaced less miles than we should have, missing some roads that truly need resurfacing. In the past five years we have only been able to do less than half of the recommended mileage. Indiana's highways, as a result, are deteriorating more and more as we fall farther and farther behind.

Indiana's bridge repair program is in similar shape. (See Figure 4.) Of Indiana's almost 4,800 bridges, we are repairing only about 100 bridges per year. We should be doing about 200 bridges per year to keep up with the recommended maintenance at an additional cost of about $20 million a year—but we do not have the money.

Figure 3.
Experts recommend that bridges be replaced about every 50 years. On the state system, then, we should be replacing about 100 bridges a year. Instead, we have funds to replace only about 40 bridges per year. (See Figure 5.) We are falling behind. More and more bridges need work each year. To replace just the additional 60 bridges per year would mean an additional cost of about $18 million annually—dollars just not available at this time. Bridges are deteriorating and weight limits are lowered. We are struggling to repair or replace bridges before they fail. If the bridges fail first, roads have to be closed.

Our maintenance needs—including patching, sealing, shoulder repair, drainage, erosion control, guardrail traffic control devices, weigh stations, rest areas, roadside parks, and many other areas of needs—are increasing. We think at least another $9 million annually is required to meet these needs.

ISHC INCOME NOW AND FUTURE FAR SHORT OF NEEDS

The major gap between needs and funds can be seen in Figure 6. The highway commission's present revenue is about $247 million, $92 million short of the total minimum needs to maintain a viable highway system in Indiana.

Even the 1970-1990 Transportation Needs Study pointed out this increasing need for dollars to maintain an adequate transportation system. From their research, we assess the needs to be about $522 million annually, over twice the funds now available to the State Highway Commission. (See Figure 7.)
In fact, highway funds have remained about the same or even dropped since 1966, a period filled with inflationary changes as mentioned earlier. In 1966, the state highway budget was $237.1 million. (See Figure 8.) In 1974, the budget was down to $225 million. Our income is not keeping pace with expenses nor is it coming close to keeping pace with our needs. The actual construction cost index for the same period of time (the top line in Figure 8) shows an increase to $494 million, over twice the income to the State Highway Commission.

**Figure 8.**

**GASOLINE CONSUMPTION, GAS TAX MONIES, REVENUE STUDIES**

The main reason for the income to the highway commission staying the same in a time when needs and costs are increasing is the fact
that our source of revenue, the tax on gasoline, is based on the gallons of gasoline sold. In the past, the gallons of gasoline sold increased each year. Figure 9 shows how sales in May 1972 were up 17.5 percent over sales in May 1971. For the first time, in 1973, gallonage consumption began to drop and in January 1974, gallonage consumption was down over ten percent from January 1973 sales. Although January 1975 shows a three percent increase over January 1974, the gallons sold in 1975 are still not up to 1973 levels.

The X-X line, in Figure 10 illustrates the actual gallons sold. A downward trend has begun even though the O-O line shows how much the cost of gasoline per gallon has risen.

The line with solid circles in Figure 10 illustrates the actual collections by the state of Indiana in gasoline taxes. Since the number of gallons sold is decreasing, this line, too, shows a decrease in collections.

On the other hand, had we used an ad valorem tax on gasoline, we would have had potential collections of over 204 million dollars, as illustrated by the circled-dot line, because it would have reflected the influence of inflation.
Since the main expenses of the upkeep of highways and roads are tied to the cost of petroleum and petroleum by-products, one of the areas hardest hit by inflation, the solid line (Figure 10), illustrating the increasing construction cost index, closely parallels the potential collections—the circled-dot line.

As you can see, the ad valorem type tax is just one possible solution to the problem. The legislature just passed a bill that would form a study committee to study transportation financing on both the state and local levels.

Senate Bill 278 mandates the Transportation Advisory Committee and some ex officio members to study, in the first phase, highway finance and needs in Indiana. This phase should be completed by this November. The second phase involves the state’s role in air, water, rail, and public transportation and should be completed by November 1977.

Other alternatives for revenue should be discovered in the course of this study in addition to the ad valorem tax, but I am sure that alternative, too, will be studied.

INDIANA HAS LOWEST HIGHWAY TRUST FUND RETURN

Federal funding for transportation is another problem. In 1974, by federal highway’s own statistics, Indiana got only 47 cents returned
on every dollar paid into the Federal Highway Trust Fund. In 1975, the figure was improved at 59 cents back on every dollar, but Indiana still ranks the lowest return in the nation. Even Indiana’s cumulative average since 1956 is one of the lowest in the nation. At 77 cents back per dollar, Indiana rates 46th in the nation.

Hoosiers do not mind paying their share of taxes to build the interstate system in other states. We realize that other states do not have the traffic and resources that we have in Indiana. On the other hand, as long as Indiana’s needs remain so great, we think the burden should be shared more equally.

Hoosier motorists have proven, as in 1969 when the state legislature enacted the gas tax to help eliminate the more dangerous highways on the system, that they are willing to pay for highway improvements. They recognize a need and are willing to pay to meet that need, but they want to see where their tax money goes. When major portions of it are lost in Washington never to return to Indiana, then we want something done about the return of the tax dollar to Indiana.

Federal outlays for transportation are increasing rapidly in the area of water, air, mass transit, and railroads; highway funds on the other hand have just barely risen. This is the growing trend, so Hoosiers should not look solely to Washington for relief.

Our funds from Washington for interstates are decreasing. (See Figure 11.) The return of the Hoosier motorist's tax dollar for interstates reached a peak of $82 million in 1969. In 1977, we expect a return of only $29 million. Interstate construction in Indiana is almost completed. Some of the interstate is old enough to need maintenance already. But Highway Trust Fund money can be used only for construction.

We cannot expect increased return of our federal tax dollar for Indiana’s growing problems. Categories of federal funds are increasing. The highway commission’s share of the apportionment is going down. Local governments who badly need an increased share are getting more for urban and local needs. A typical apportionment of $115.8 million gives local governments about $30.2 million and the Indiana State Highway Commission $85.6 million. Again, the highway commission cannot look to the Highway Trust Fund for the solution to its maintenance and reconstruction needs.

We have gone to Congress on numerous occasions and written and contacted Indiana’s congressional delegation to keep them aware of the problems in Indiana.
We have suggested the Highway Trust Fund be continued as needed to complete the interstate system, but we have also suggested that if the formula does not change to give a better return to Indiana, then maybe a portion of the Federal Highway Trust Fund tax should be eliminated so that it could be re-imposed at the state level. Then, Indiana would have funds to use directly where they are needed.

We do not doubt that an adequate solution will be found. We just have to work with insufficient funds in the meantime to the best of our ability.

IMPOUNDED MONEY RELEASED—1975 RECORD CONSTRUCTION

Thanks to the release of impounded Federal Highway Trust Fund money last year by the President and Congress, Indiana was able to experience a record construction season. (See Figure 12.) As you can see on the graph, 1975 followed a record year in 1974 with over $220 million spent for contract work. Unfortunately, our projection for 1976 is not as good at about $140 million.

Thanks to the funds released last year, we are running on schedule with many projects and we were able to complete many safety projects we could not have done otherwise.
We will complete our interstate program as planned in 1976 and the original roads we pledged to dual-lane with the 1969 two-cent gas tax are almost all under contract or will be this year. Money from this two-cent tax is being used extensively where needed for construction and reconstruction of other routes that need upgrading or relocating to corridors that move traffic more efficiently.

1976 BUDGET $278 MILLION—NEEDS $339 MILLION

But the Indiana State Highway Commission is living on a hand-to-mouth basis this year. Figure 13 illustrates the problem. The top line shows the commission’s operating balance. We want to keep a cash balance on hand as a good financial program should to allow us to meet unexpected expenses and to better plan future programs. Our projection for 1976 is a new low, however, at less than $5 million. Our unappropriated surplus, while never high, is expected to be nonexistent this year.

As a matter of fact, we see a continuing decrease in the state highway budget in the future if current trends persist. Figure 14 shows what we project our minimum needs to be, the top line at $339 million.

Our 1976 budget shows a total of $278 million—still short of our minimum needs and with decreases in both federal and state funds.
In 1977, we expected the budget gap to be even more severe with a total of only $247 million. Thanks to an extra $10 million from the Governor and the state legislature that figure will be about $257 million. This is still short of the $339 million worth of work to be done and still short of the already inadequate budget this fiscal year. This ten million will be used mainly for resurface work, but will still leave the resurfacing budget two million short of this year’s resurfacing budget. Next year’s operating budget is still $21 million below this year’s budget.

While the revenue goes down, the work needed to be accomplished climbs. The interstate system, while new construction will not be necessary, needs more and more dollars for maintenance. The dual-laning program will continue to be a viable part of the program as long as travel trends continue to increase or even maintain today’s levels.

Federal, state, and local expenditures per vehicle mile have dropped from a high of almost two cents per vehicle mile to about one cent
per vehicle mile. This does not make our road program sound very expensive until you consider the volume of vehicle miles driven in the United States. This drop of about 50 percent is very damaging when you consider that travel is continuing to increase.

TELL HIGHWAY NEEDS TO ALL CONCERNED

What we must do and what we have been doing is to list priorities. Unanswered needs must be assessed and those that deserve primary attention handled first. We can’t make everyone happy in all areas of the state, but we can use our expertise and resources to come up with a priority program and to the best of our ability at least attempt to protect the investment of the Hoosier motorist in the highway system.

Another thing we have been doing and must continue to do is tell our story, not only at Road School, but in Washington and all over the state of Indiana. You who are here representing local governments...
are in similar situations. Local roads and streets, too, depend on a
gallonage consumption based funding program, and you are faced with
growing traffic needs and increasing concerns for safety and efficiency.

When we tell the needs of the highway commission we are telling
the needs of the whole state and when you stress your needs, you
reinforce our needs, too. I urge you to join with us in convincing our
state legislators and congressmen that the investment in all of In­
diana's over 90,000 miles of roads, streets, and highways be protected.

Let us join together to urge them to come up with a solution
for adequate funding of our road system, remembering that the system
is a whole, working network needed to adequately move people and
goods, and remembering, too, that our lifestyles and even our lives may
depend upon that system.