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

<table>
<thead>
<tr>
<th>Program</th>
<th>Total Funding under FAST Act (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Highway Administration</td>
<td>$226.3</td>
</tr>
<tr>
<td>Federal Transit Administration</td>
<td>$61.1</td>
</tr>
<tr>
<td>Federal Railroad Administration</td>
<td>$10.3</td>
</tr>
<tr>
<td>National Highway Traffic Safety Administration</td>
<td>$4.7</td>
</tr>
<tr>
<td>Other</td>
<td>$2.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$305.0</strong></td>
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</tbody>
</table>
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)

(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.
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
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.
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.
Structurally Deficient/Functionally Obsolete Bridges:

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

Information from USDOT, FHWA, and ASCE Report on Infrastructure 2013
USA Transportation Infrastructure Conditions: How Does Indiana Rank?

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Extra Vehicle Repairs (Roads Need Fixing):
- National Avg Per Motorist: $300
- Indiana Average: $225
- Rank Among States: 11th (vs. Best – Georgia)
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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)

Information from USDOT, FHWA, and ASCE Report on Infrastructure 2013
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 21\textsuperscript{st} Century

- CAFÉ Standards: Light Duty Vehicles 54.5 MPG by Model Year 2025
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

Total:
FY 2017: 487.5 million
FY 2018: 156.5 million
FY 2019: 206.5 million
FY 2020: 156.5 million

Refinance Existing Bonds
$6.5M Annually

Next Generation Trust Fund
$50M

Additional Appropriations
$450M (over 3 yrs.)

Bond Financing $240M

State Surplus $241M

$1 Billion Stimulus Program Without New Taxes
The Additional Funds Provided By FAST Act will Increase Local Federal Funds by over $100M in the Next 5 Years.
Incremental Spending from the Stimulus has an Almost Immediate Favorable Impact on Condition Ratings that Cannot be Sustained Without a Long Term Funding Solution.
Incremental Spending from the Stimulus has an Immediate Favorable Impact on Condition Ratings that Cannot be Sustained Without a Long Term Funding Solution.
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
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 Cty.

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

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

Average difference = $376 M/year
Dashed Line is the effect of inflation on revenue. About 30% less since 2005.

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