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revenue & funding

Due to the fiscal constraints on Federal, State, and local budgets, traditional funding approaches cannot meet all of Indiana's transportation investment needs. In this environment of transportation funding challenges, Indiana has taken steps to shore up its ability to preserve and maintain the transportation system with new funding sources. This chapter provides details on the financial picture for INDOT.



INDOT ROLES

INDOT serves a variety of roles when it comes to funding the state transportation system.



Planning for the state system. This includes looking at current and anticipated needs, identifying projects and programs related to providing a system that meets Indiana's mobility and safety goals, and planning for the optimal use of funds to maintain and preserve existing transportation infrastructure.



Routine maintenance of state routes. This includes mowing roadside vegetation, filling potholes, applying and maintaining highway signs and pavement markings, plowing snow, and maintaining traffic signals.



Construction projects on the state system. This includes major reconstruction of existing roads and bridges, expanding existing facilities to provide enhanced mobility and safety, and building new system links. In addition to construction efforts, projects can include acquisition of right-of-way, planning, permitting, and design.



Financial and technical support to local agencies. This includes support for multimodal facilities and systems such as public transit, airports, and bicycle and pedestrian systems.

Current Funding Priorities

Every year, INDOT updates its four-year State Transportation Improvement Program (STIP), which identifies the funding and timing of the state's transportation projects by fiscal year. The current 2018-2021 STIP identifies more than \$4.4 billion in projects. It lists state and local projects that use either Federal highway and/or transit monies or State transportation funds only.

The STIP categorizes projects and programs into more than 100 work types, such as street and highway, passenger rail, freight, public transit, and bicycle and pedestrian—each with a funding allocation. Based on an analysis of the 2018-2021 STIP, there are generally nine major project types. Nearly two-thirds of the \$4.4 billion four-year program is allocated to reconstructing and maintaining INDOT's current pavement and bridge infrastructure. Other significant funding goes towards these project types:

- Roadway capacity and intersections
- Safety, intelligent transportation systems, and other (e.g., access control, environmental projects, and rest area improvements)
- Transit
- Bicycle and pedestrian



\$1,513 M

Pavement Reconstruction / Maintenance

\$1,401 M

Bridge & Structure Reconstruction / Maintenance



\$860 M

Added Capacity / Intersection Improvements



\$178 M

Transit



\$215 M

Safety / ITS / Other



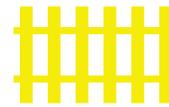
\$155 M

Bicycle / Pedestrian



\$54 M

New Bridges



\$53 M

Railroad

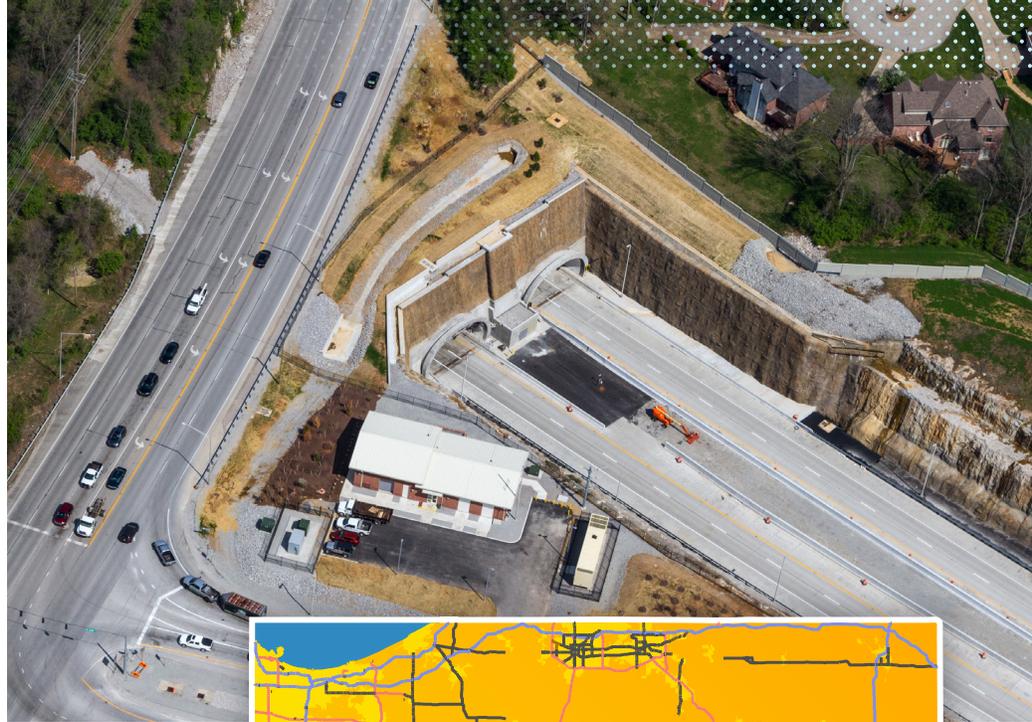
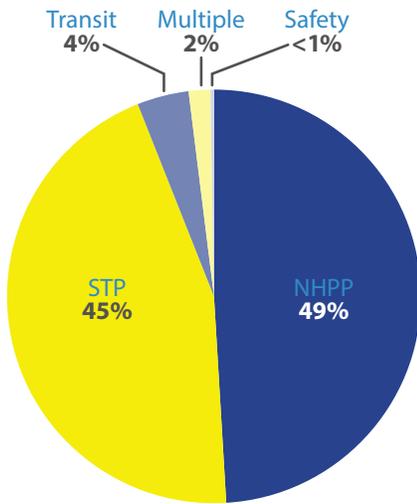


\$19 M

Other Maintenance



Breakdown of STIP Project Costs by Federal Category, 2018-2021



Federal Funding Programs

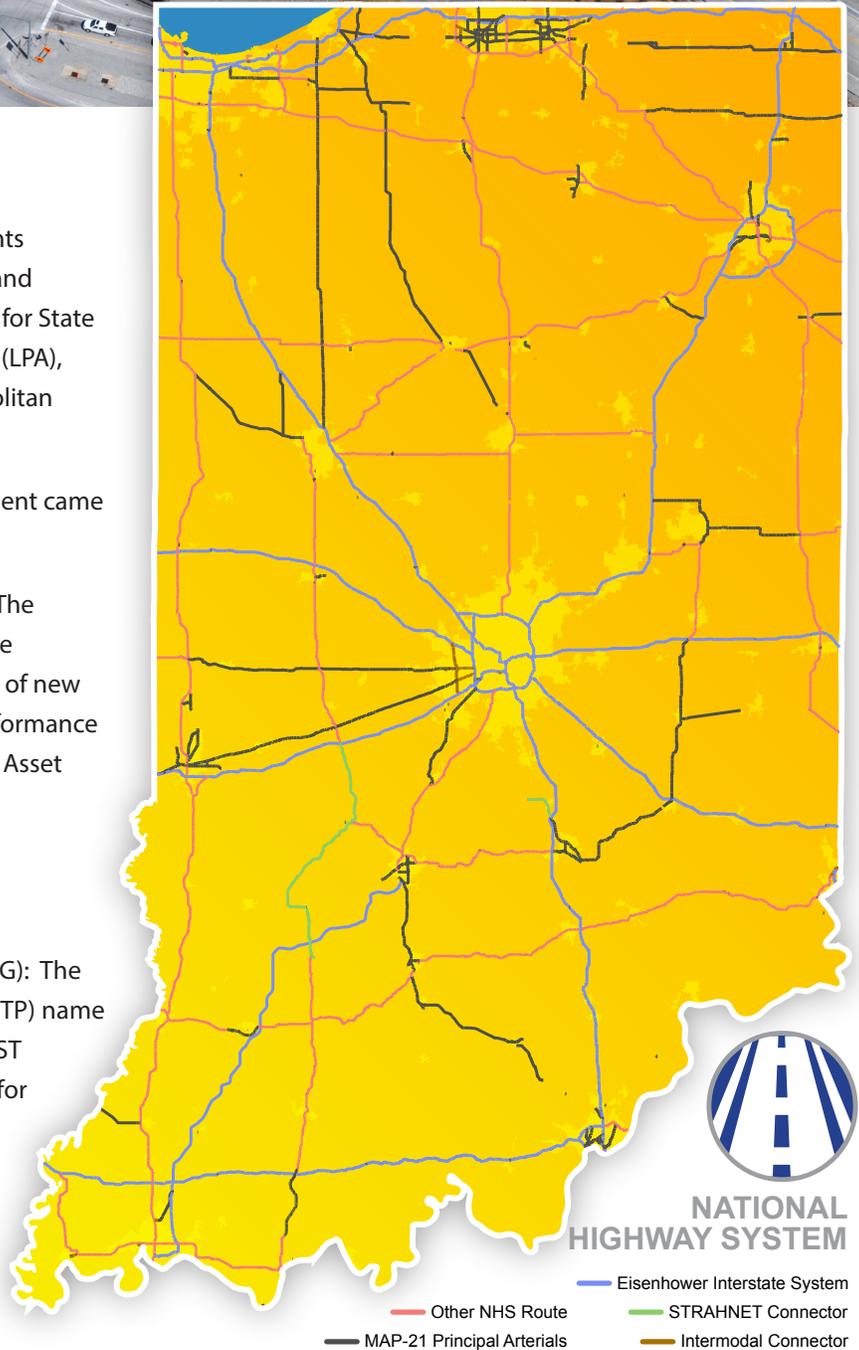
INDOT shares Federal funds with local governments in Indiana for transportation projects, programs, and operations. The Federal funds are split 75 percent for State projects and 25 percent for Local Public Agencies (LPA), which consists of local governments and Metropolitan Planning Organizations (MPOs).

The majority of INDOT's 2017 Federal apportionment came from the following programs.

National Highway Performance Program (NHPP): The NHPP provides support for the maintenance of the National Highway System (NHS), the construction of new facilities on the NHS, and the achievement of performance targets established under INDOT's Transportation Asset Management Plan for the NHS.

In 2017, INDOT's NHPP apportionment was \$533.3 million.

Surface Transportation Block Grant Program (STBG): The long-standing Surface Transportation Program (STP) name was changed to STBG with the passage of the FAST Act. The STBG provides a flexible funding source for use by State and local transportation decision-makers. The STBG funds can be used for a range of Federal-aid roadway projects, bridges on any public road, bicycle and pedestrian facilities, and public transit capital projects.



INDOT also uses a portion of its STBG funding for Transportation Alternatives (e.g., bicycle and pedestrian), environmental, historical, and Americans with Disabilities Act (ADA) improvements. Funding for these project types previously came from a separate Federal funding program called Transportation Alternatives Program (TAP). There are additional INDOT set-asides from the STBG funds for State Planning and Research and for bridges not on Federal-aid highways.

In 2017, INDOT's STBG apportionment was \$267.1 million.

Highway Safety Improvement Program (HSIP): The purpose of the HSIP is to achieve a significant reduction in fatal and serious injury crashes on all public roads, not just State-owned roads. The HSIP emphasizes a planning process based on the Strategic Highway Safety Plan (SHSP), which all states must develop. The SHSP should identify key safety issues, prioritize problem areas, and determine a performance-based approach to implementation. Another component of the HSIP is the Railroad-Highway Crossings Program. INDOT has a Highway-Rail Grade Crossing Safety Action Plan (2012) to address issues related to this program.

In 2017, INDOT's HSIP apportionment was \$52.7 million.

Congestion Mitigation and Air Quality (CMAQ): The CMAQ program provides funds to State and local governments to implement a range of transportation projects and programs (1) to help meet Clean Air Act requirements, (2) to reduce congestion, and (3) to improve air quality for areas that do not meet the National Ambient Air Quality Standards for ozone, carbon monoxide, or particulate matter (nonattainment areas) and for former nonattainment areas that are now in compliance (maintenance areas).

In 2017, INDOT's CMAQ apportionment was \$46.7 million.

Federal Transit Administration Programs: Indiana receives Federal Transit Administration (FTA) funding for several different transit programs.

Section 5307 – Urbanized Area Formula: This program provides grants to Urbanized Areas (UZA) for public transportation capital, planning, job access and reverse commute projects, as well as operating expenses in certain circumstances.

Section 5309 – Fixed Guideway Capital Investment: This program provides grants for new and expanded rail, bus



rapid transit, and ferry systems that reflect local priorities to improve transportation options in key corridors.

Section 5310 – Enhanced Mobility of Seniors and Individuals with Disabilities: This program is intended to serve the special needs of transit-dependent populations, such as seniors and persons with disabilities, by providing ADA complementary paratransit services.

Section 5311 – Formula Grants for Rural Areas: This program provides capital, planning, and operating assistance to states to support public transportation in rural areas with populations less than 50,000.

Section 5337 – State of Good Repair: A new formula-based program dedicated to repair and upgrade the nation’s rail transit and high-intensity motor bus systems that use high-occupancy vehicle lanes, including bus rapid transit (BRT).

Section 5339 – Bus and Bus Facilities: Provides capital funding to replace, rehabilitate and purchase buses and related equipment and to construct bus-related facilities.

In 2017, Indiana’s FTA programs apportionment was \$144.2 million.

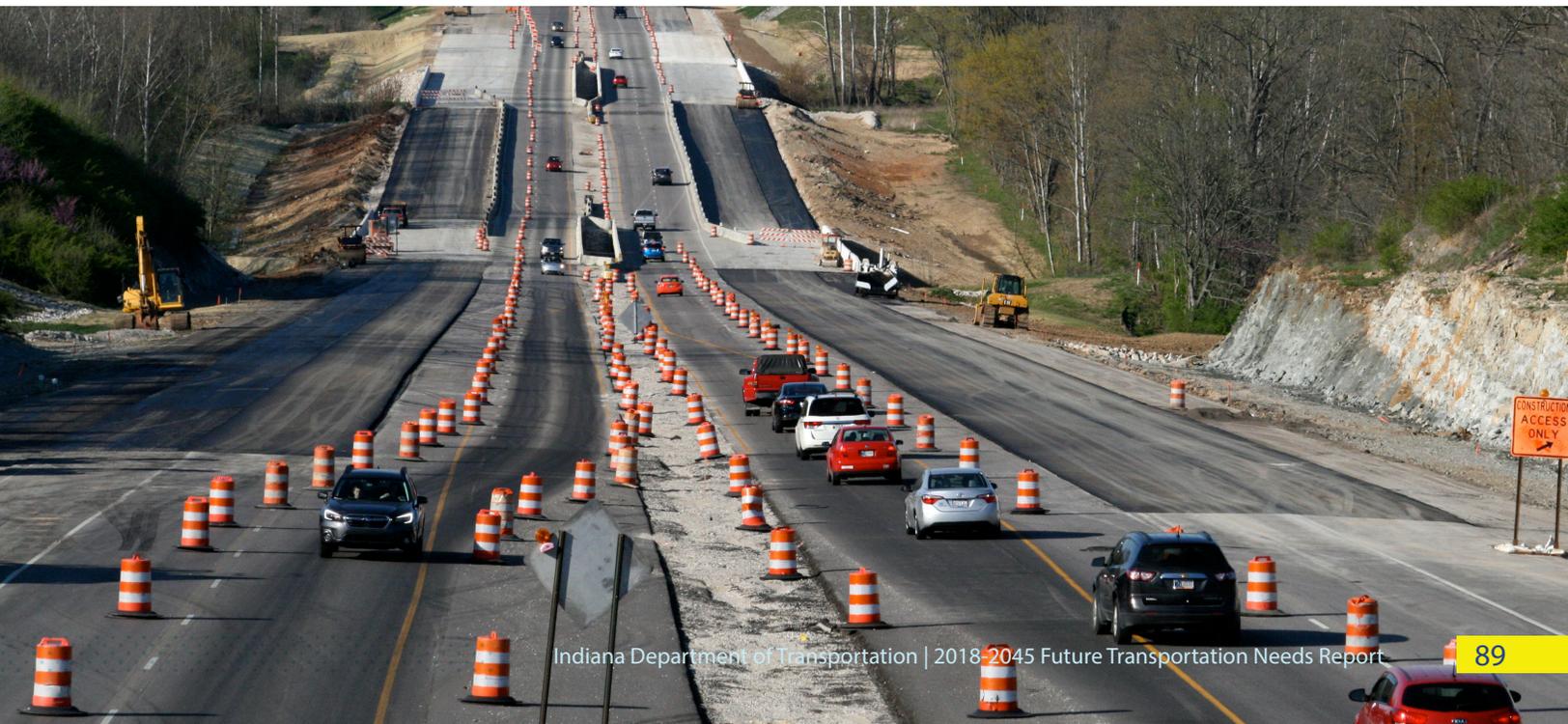
Federal Transportation Grant Programs: There are several Federal transportation grants that Indiana competes for to gain additional transportation funds. One key Federal grant program is the Better Utilizing Investments to Leverage Development Transportation Discretionary (BUILD) program. This program awards funds for investments on a competitive basis to projects

that will have a significant local or regional impact, including road, rail, transit and port projects that achieve national transportation objectives. Indiana was awarded \$40 million in 2018 BUILD grant monies for Interstate 65 expansion projects. A second key Federal program is the Infrastructure for Rebuilding America (INFRA) discretionary grant program. Projects eligible for the INFRA program are those that help rebuild infrastructure, providing direct Federal funding with the aim of leverage state, local, and private partner investments.

State Funding Programs

INDOT funds the maintenance and construction of roads and bridges on the State system through a combination of Federal and State funds. State revenue sources have traditionally included: fuel tax, vehicle and driver tax, sales tax, toll and user fees, and other miscellaneous fees. The Next Level Roads program, created in 2017 by the passage of the House Enrolled Act (HEA) 1002, is a five-year, \$4.7 billion road maintenance and construction plan. It raised the gas tax by 10 cents a gallon and increased special fuel and motor carrier surcharges. As a result, the Next Level Roads plan includes sufficient funding to meet the 20-year pavement and bridge needs identified in the Transportation Asset Management Plan and provides an additional \$342 million per year for local roads by 2024.

The Local TRAX program provides grants to local municipalities for railroad safety improvements for locations where local roads intersect railroads. Similar to the Next Level Roads program, Local TRAX was funded through HEA 1002. INDOT aims to partner with local



communities, businesses, and railroads to enhance performance with railroad grade separation (overpasses) and improve safety at-grade rail crossings. With an anticipated funding level of \$125 million, the projects from Local TRAX should be let by 2022 and are funded with 80 percent state funds and a 20 percent local match. INDOT will manage all Local TRAX projects for local jurisdictions.

The Community Crossings Matching Grant Program provides funding to cities, towns, and counties to fund bridge and roadway construction projects. Eligible local projects include road/bridge preservation, road reconstruction, small structure replacements, and ADA sidewalk improvements tied to road improvements.

The Public Mass Transportation Fund (PMTF) receives revenue from the State's General Fund. These funds are allocated using a performance-based formula, which looks at system operating expenses, passenger trips, total vehicle miles, and locally-derived income data.

The Commuter Rail Service Fund (CRSF) receives revenue from a small portion of Indiana general sales

and use tax. These funds are distributed to commuter transportation districts for maintenance, improvement, and operations of commuter rail service.

The Electric Rail Service Fund (ERSF) is a special state fund generated from property tax on a railroad company's distributable property that provides service with a commuter transportation district. These funds are used in commuter transportation districts that have most of their service powered by electricity. Currently, all funds go to the Northern Indiana Commuter Transportation District (NICTD), the only entity presently eligible for these funds.

The Next Level Connections initiative was announced in September 2018. Program revenues are coming from an agreement with the toll concessionaire. The increased revenues are from adjusting toll rates for heavy commercial vehicles so they are more consistent with rates charged by other states. Total revenues are \$1 billion, with \$400M received in 2018 and \$300M received in both 2019 and 2020.



The Next Level Connections will provide sufficient funding for programmed constructions projects along the Indiana Toll Road. This will free up state highway funding and allow INDOT to program the following projects:

- \$90M on trails
- \$600M to accelerate construction of I-69, Section 6
- \$190M for US 31 and US 20 projects
- \$20M for a range of other programs, including INDOT operations, attracting international direct flights to the Indianapolis airport, port development, and northwest Indiana rail planning.

In addition to \$900M in transportation funding, the Next Level Connections provides \$100M for broadband access to unserved and underserved areas of the state.

Anticipated Future Funding Levels

An important part of the LRTP is to look ahead and project future anticipated transportation funding levels. Transportation financial projections for INDOT are based on the current STIP and Next Level Roads program. Projections assume that Federal revenues do not change after 2022, that the Next Level Roads revenues do not change through 2024, and state revenues do not change after 2024.

INDOT Anticipated Funding Levels by Funding Category, 2018-2045, in Future Year Dollars

STIP FUNDING CATEGORY	CURRENT STIP				PROJECTION YEARS			
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY2025-2045*
State Federal-aid FHWA funds	\$786,700,000	\$799,300,000	\$813,500,000	\$808,300,000	\$808,300,000	\$808,300,000	\$808,300,000	\$808,300,000
Earmarks State	\$800,000	\$169,281	\$0	\$0	\$242,320	\$242,320	\$242,320	\$242,320
Local Federal-aid FHWA funds	\$246,900,000	\$252,500,000	\$276,633,333	\$252,500,000	\$252,500,000	\$252,500,000	\$252,500,000	\$252,500,000
Local Federal-aid FHWA Earmarks	\$10,788,764	\$1,862,263	\$2,205,934	\$7,557	\$0	\$0	\$0	\$0
Subtotal of Federal-aid FHWA funds =	\$1,045,188,764	\$1,053,831,544	\$1,092,339,267	\$1,060,807,557	\$1,061,042,320	\$1,061,042,320	\$1,061,042,320	\$1,061,042,320
Subtotal of Federal-aid FTA funds =	\$22,750,000	\$22,750,000	\$22,750,000	\$22,750,000	\$22,750,000	\$22,750,000	\$22,750,000	\$22,750,000
State Highway Funds	\$1,481,700,000	\$1,051,500,000	\$1,136,400,000	\$1,244,700,000	\$1,332,700,000	\$1,413,700,000	\$1,489,700,000	\$1,489,700,000
State Highway Road Construction Improvement Fund	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000
Crossroads Fund	\$38,400,000	\$37,900,000	\$37,400,000	\$39,400,000	\$39,400,000	\$39,400,000	\$39,400,000	\$39,400,000
Next Level Connections	\$400,000,000	\$300,000,000	\$300,000,000	\$0	\$0	\$0	\$0	\$0
Operating Budget	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Toll Road Lease Proceeds	\$41,400,000	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal of State funds =	\$2,031,500,000	\$1,460,400,000	\$1,543,800,000	\$1,354,100,000	\$1,442,100,000	\$1,523,100,000	\$1,599,100,000	\$1,599,100,000
Subtotal of Local Highway funds =	\$64,422,191	\$63,590,566	\$69,709,817	\$63,126,889	\$63,126,889	\$63,126,889	\$63,126,889	\$63,126,889
Total of All Available Resources =	\$3,163,860,955	\$2,600,572,110	\$2,728,599,084	\$2,500,784,446	\$2,589,019,209	\$2,670,019,209	\$2,746,019,209	\$2,746,019,209

*Each Year