

Study of Indiana Transportation Infrastructure Funding Mechanisms

presented to

**State of Indiana
Joint Transportation Commission**

presented by

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This study addressed Indiana's transportation funding needs and options for funding them.

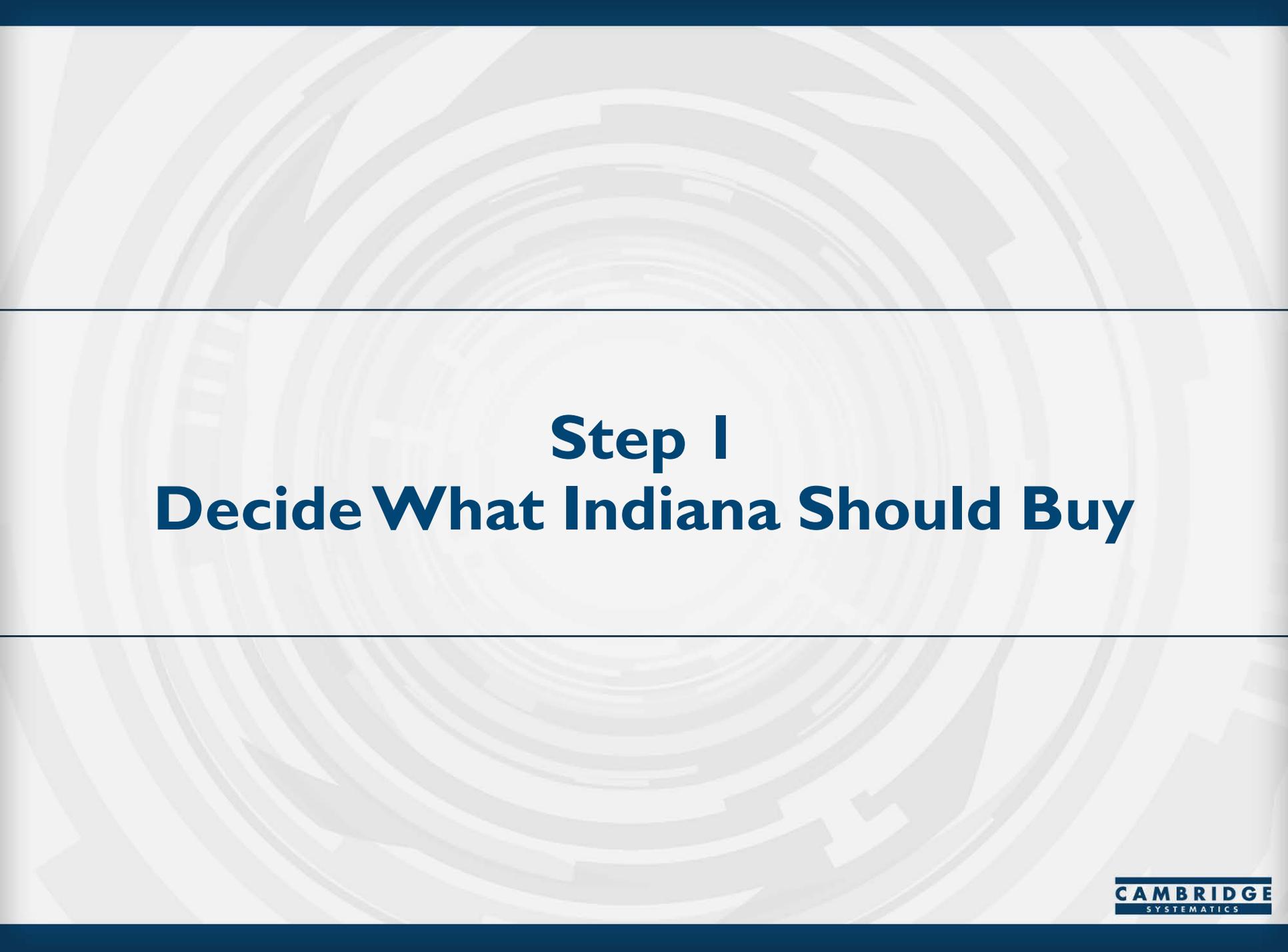
Background

- House Enrolled Act 1104 charged INDOT with completing a study of potential revenue mechanisms for transportation.
- Goal to provide Indiana leaders with tools to evaluate options to provide sustainable funding to meet current and future roadway needs.

Key Themes

- Maintaining and preserving Indiana's roadways requires sustainable funding.
- Investing early in our roads saves taxpayers money and prevents a slow decline of our transportation system.





Step I
Decide What Indiana Should Buy

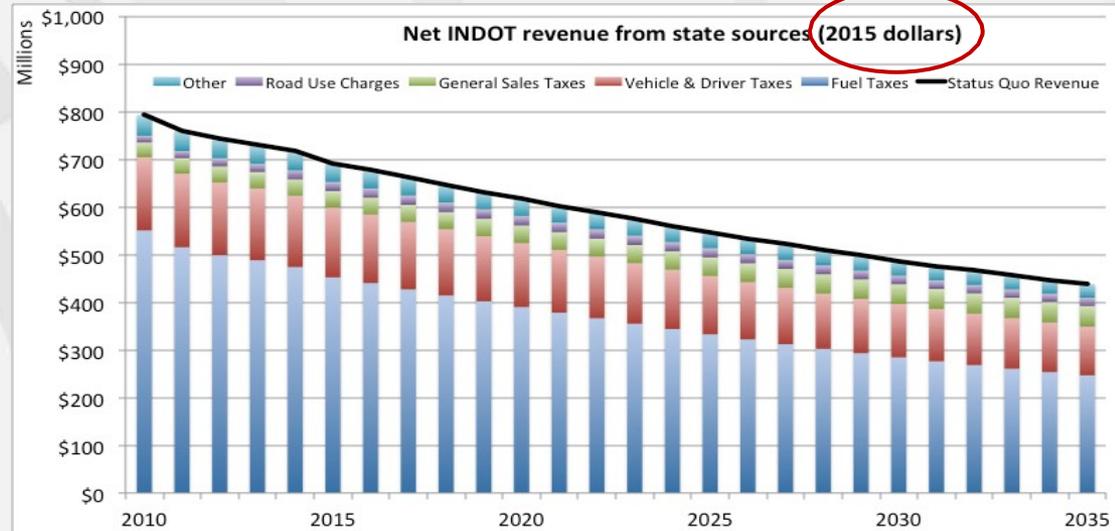
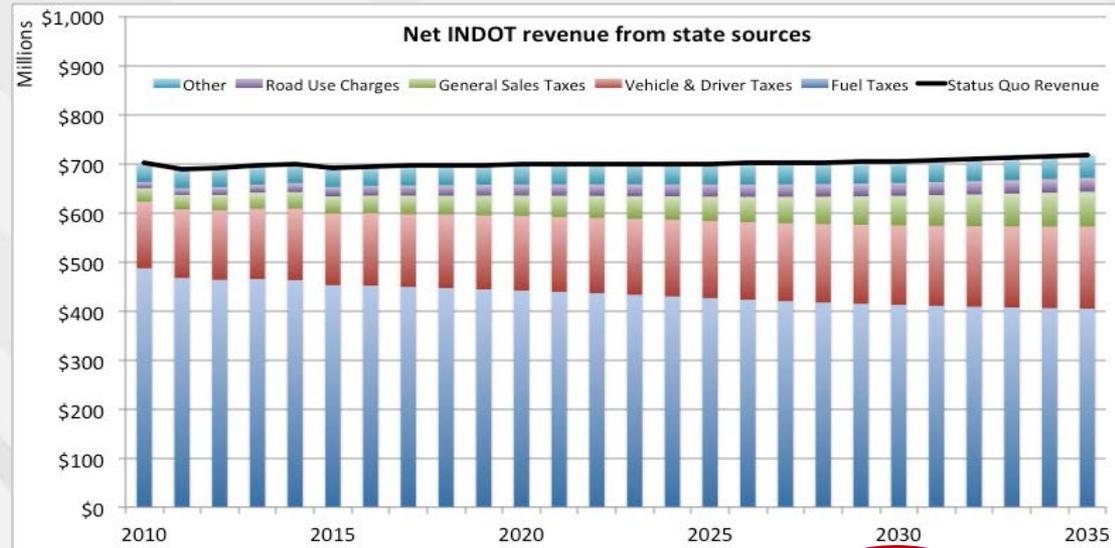
Achieving a sustainable transportation funding structure is complex.

Key Findings:

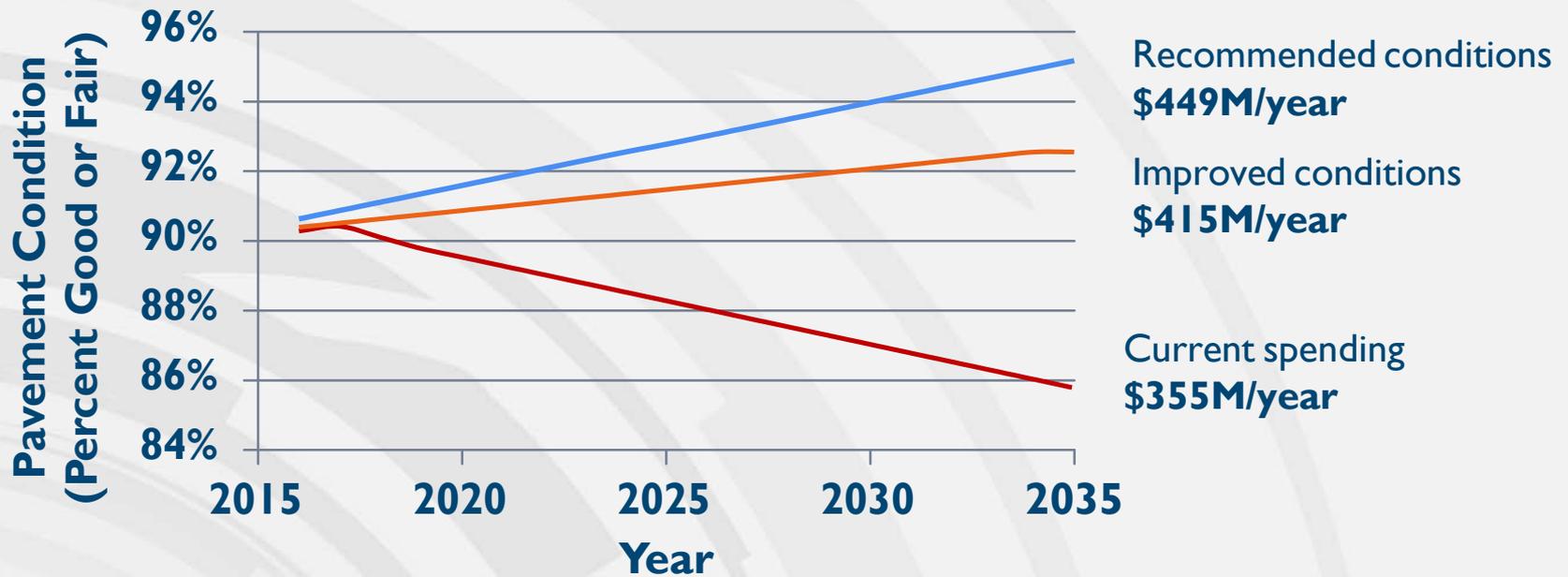
- There is no one answer to how much money is needed to adequately fund transportation projects.
 - » What are the priorities?
 - » What level of service should Indiana provide?
 - » What condition should Indiana's pavements and bridges be in?
- Local transportation needs are pressing, but harder to quantify.
- Funding transportation is a two-step process.
 - » Step 1 - Decide what Indiana should buy.
 - » Step 2 - Decide how best to pay for it.

Transportation funding is expected to decline over the next 20 years if no changes are made.

- Transportation funding sources.
 - » State revenues from taxes and fees.
 - » Federal funds.
- Funds are expected to decline if tax revenues and tax rates remain unchanged.
 - » Inflation
 - » Improving fuel efficiency



There is no one answer to what is needed. It depends on what Indiana wants to buy.

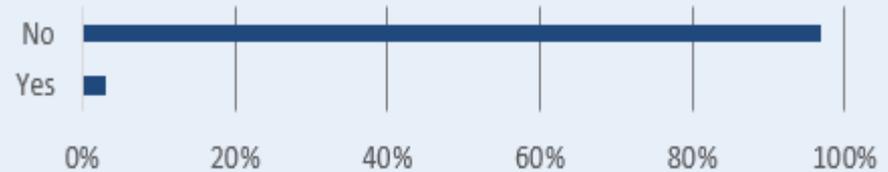


Current funding level for bridges - \$215M/year
Recommended funding level for bridges - \$290M/year

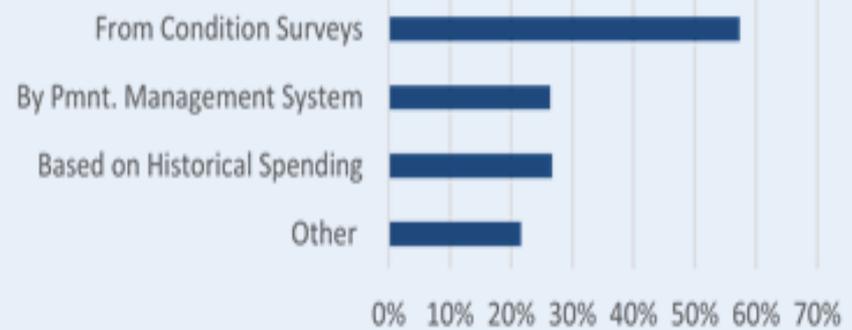
Local transportation needs are also pressing, but harder to quantify.

- Transportation needs and funding at the local level assessed through a survey of local agencies.
 - » 350 local agencies - cities, towns, urban and rural counties.
- Difficult to assess cost of maintaining local roadway system.
 - Variety of ways local agencies assess pavement and bridge conditions.

Are Your Current Revenue Sources Adequate to Maintain Your Roadways?



How does your agency assess pavement preservation needs?

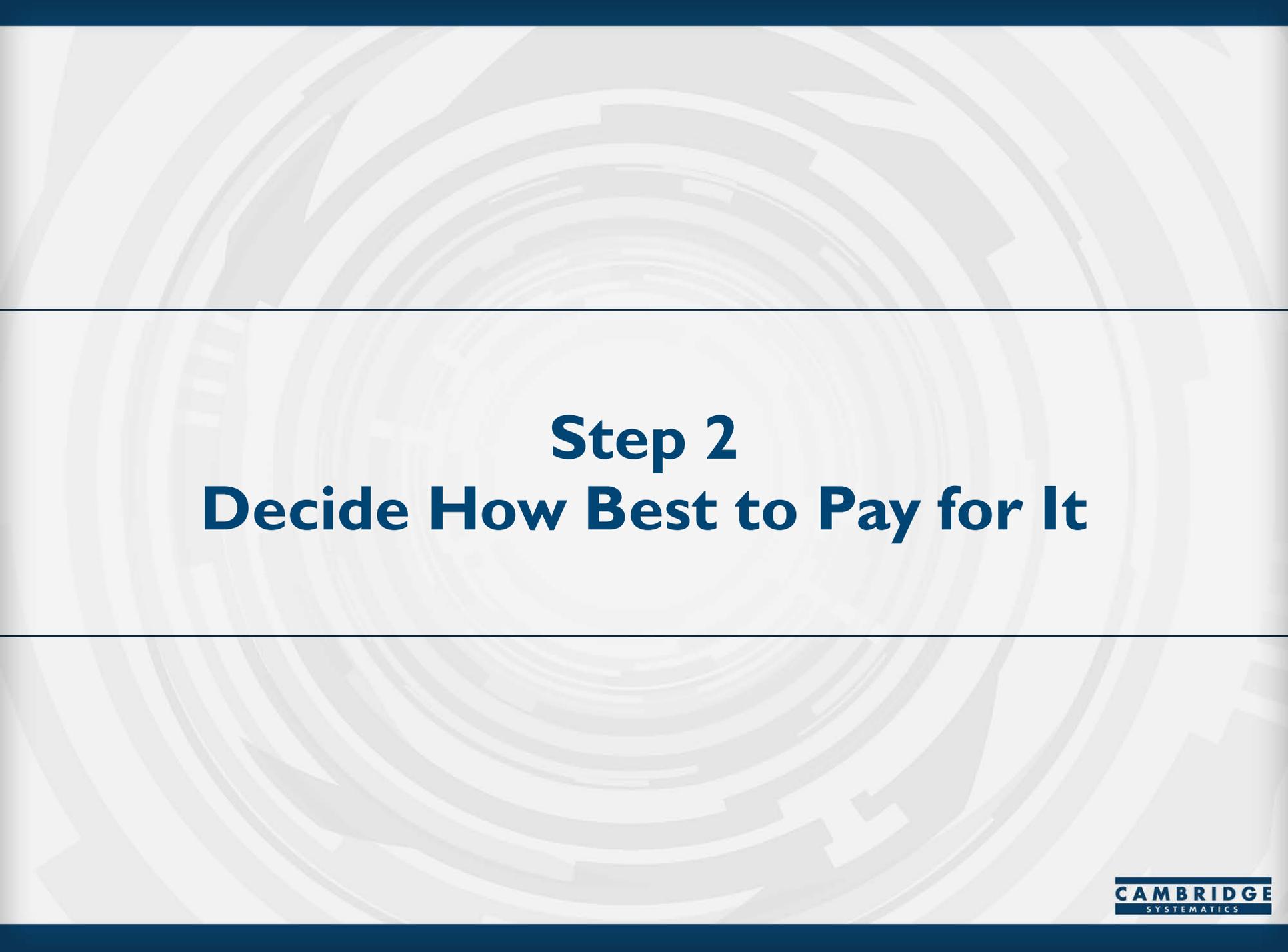


Transportation costs are extensive, but there are lower cost options.

- Transportation needs vary depending on what Indiana wants to buy.
- Sample Scenarios
 - 1) **Take Care of What We Have** – includes funding for maintaining State-owned pavements and bridges at recommended levels, completing ongoing projects and INDOT operations.
 - 2) **Scenario 1 plus Tier 1 Projects** – would also enable INDOT to complete the Tier 1 priority projects identified in the 2014 *Blue Ribbon Panel on Transportation Infrastructure Report to Governor Pence*.
 - 3) **Scenario 2 plus Tiers 2 and 3 Projects** – adds Tier 2 and 3 projects from the *Blue Ribbon Panel Report*.
 - 4) **Scenario 3 plus Regional Priorities** - adds the priorities of regional and local agencies for the state highway system that INDOT has compiled.

Transportation costs are extensive, but there are lower-cost options.

	State Transportation Needs Scenarios	1. Take Care of What We Have	2. Scenario 1 plus Tier 1 Projects	3. Scenario 2 plus Tiers 2 and 3 Projects	4. Scenario 3 plus Regional Priorities
Take care of what we have					
	Recommended pavement conditions	√	√	√	√
	Recommended bridge conditions	√	√	√	√
Finish what we started					
	Ongoing statewide priorities	√	√	√	√
Plan for the Future					
	Tier 1 projects		√	√	√
	Tier 2 projects			√	√
	Tier 3 projects			√	√
	Regional priorities				√
Other Operations					
	Current operating costs	√	√	√	√
Annual funding needs		\$1.5B	\$1.9B	\$2.1B	\$3.2B



Step 2

Decide How Best to Pay for It

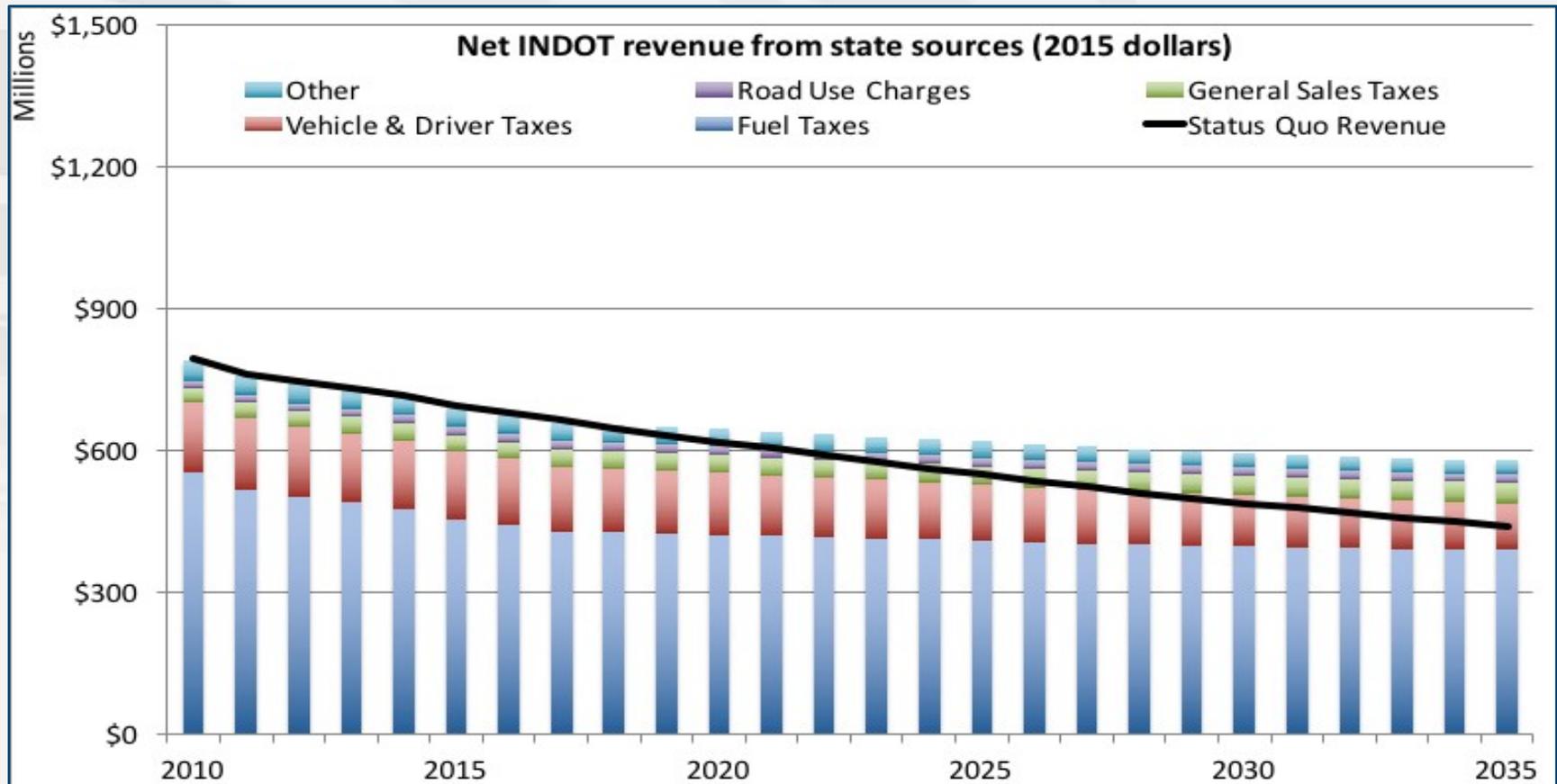
There are a variety of ways to fund transportation, but no one correct answer.

- Fuel tax*
 - » Increase existing taxes (gasoline, diesel, surtax)
 - » Index existing taxes
 - » Add sales tax to fuel purchases
- Vehicle & driver taxes
 - » Driver license fees
 - » Vehicle registration fees*
 - » IRP
 - » Vehicle excise tax
 - » Electric vehicle fee
 - » Sales tax on auto sales
 - » Tire tax
 - » Vehicle law enforcement fee
 - » Rental car sales tax
- General taxes
 - » Dedicate existing sales tax
 - » Increase sales tax
 - » General fund transfers
- Road use taxes
 - » Light-vehicle distance charge*
 - » Truck weight-distance charge*
 - » Truck size-distance charge*
 - » Truck damage-distance charge*
 - » Oversize/overweight fees
- Property taxes
 - » Tax increment financing
 - » Development exactions
 - » Special assessment districts
 - » Impact fees

*specified in HB 1104

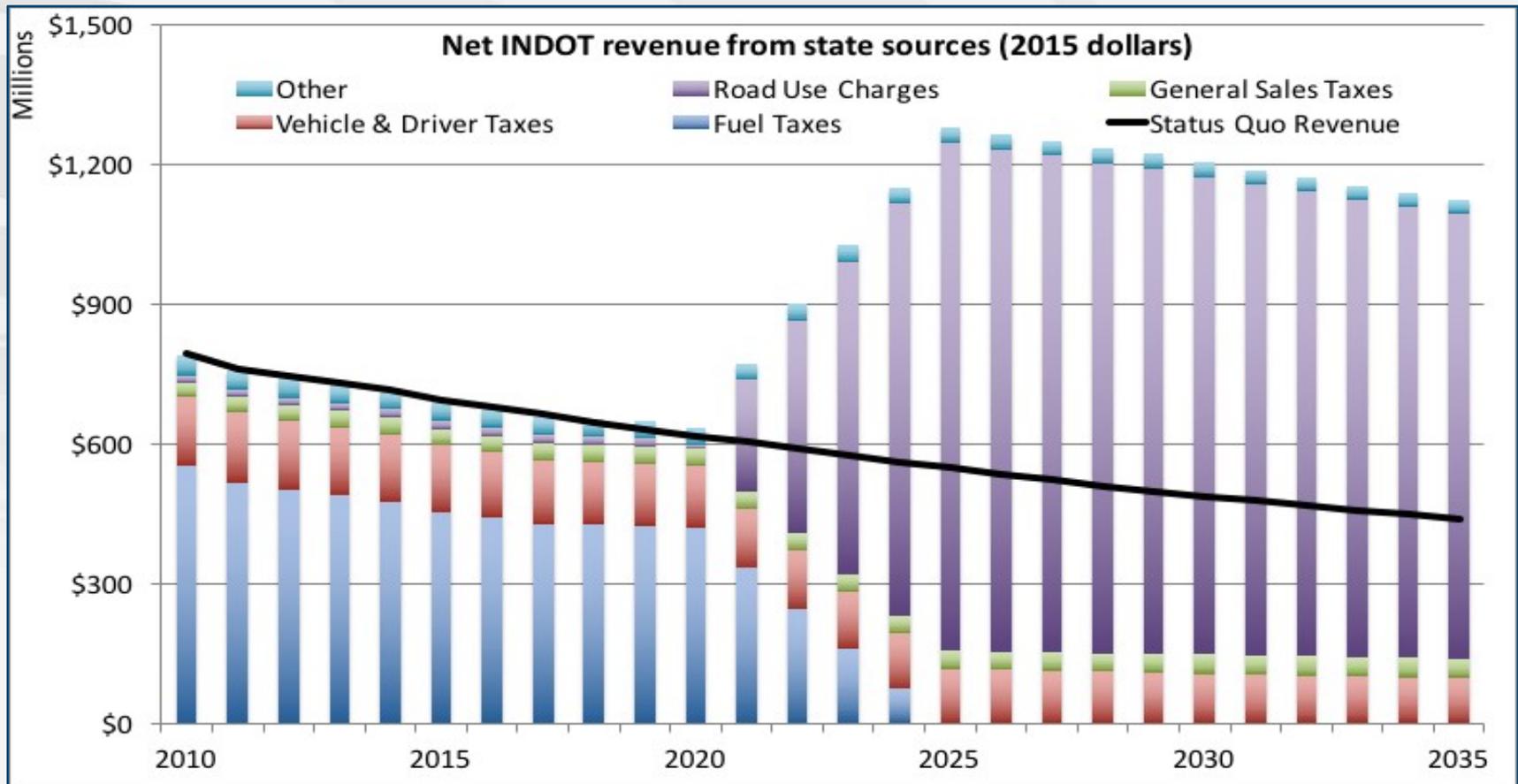
Example I. Index Fuel Tax to CPI

Existing fuel excise tax rates (gasoline, diesel and surtax) are indexed to inflation (based on Consumer Price Index).



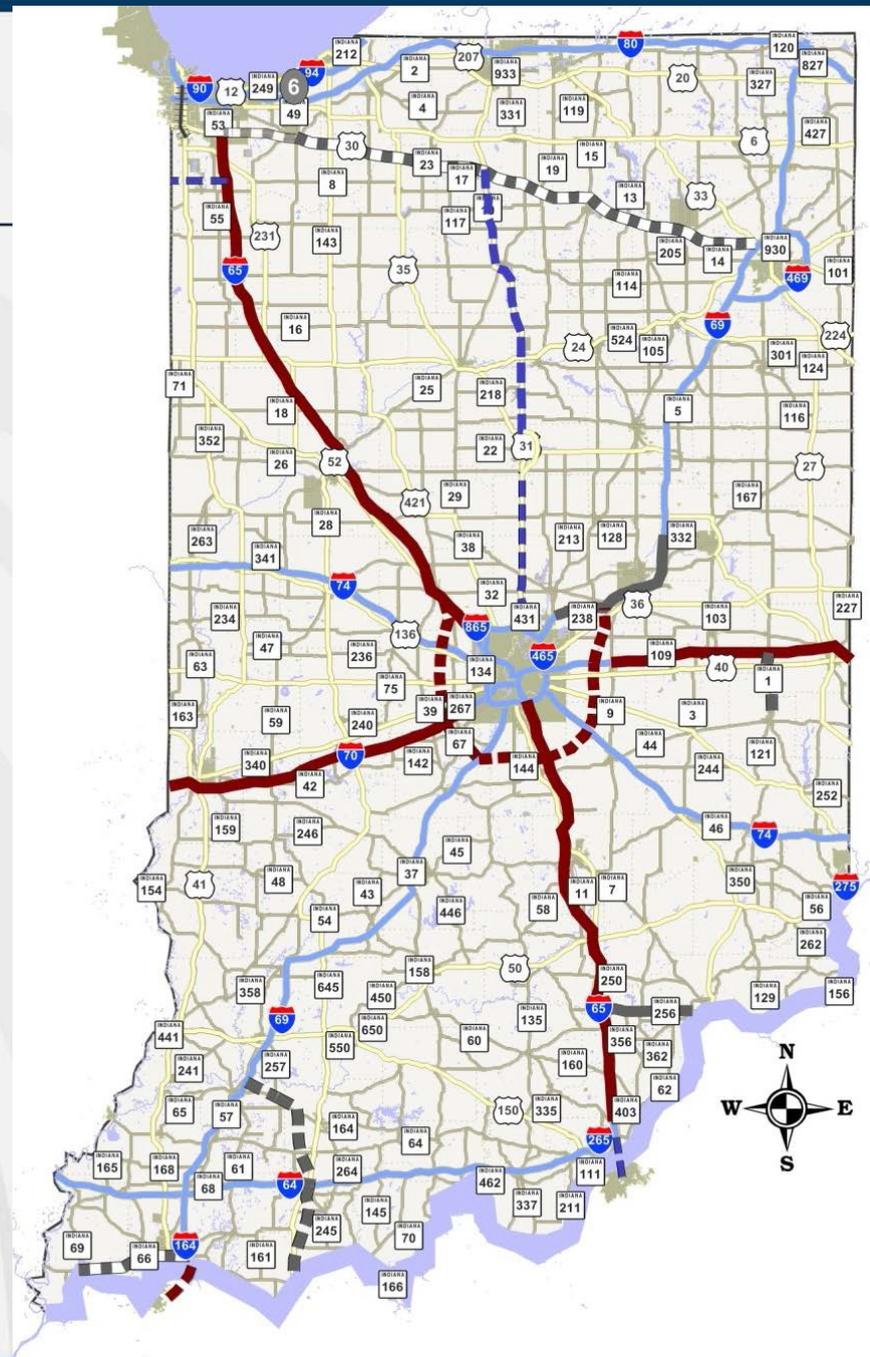
Example 2. Index Fuel Tax and Transition to Vehicle Mileage Fee and Weight Distance Fee

Fuel taxes indexed to inflation and starting in 2020 there is a 5 year transition from fuel taxes to road user charges and weight-distance fees for commercial trucks.



Tolling in key corridors could provide significant revenue, but with restrictions.

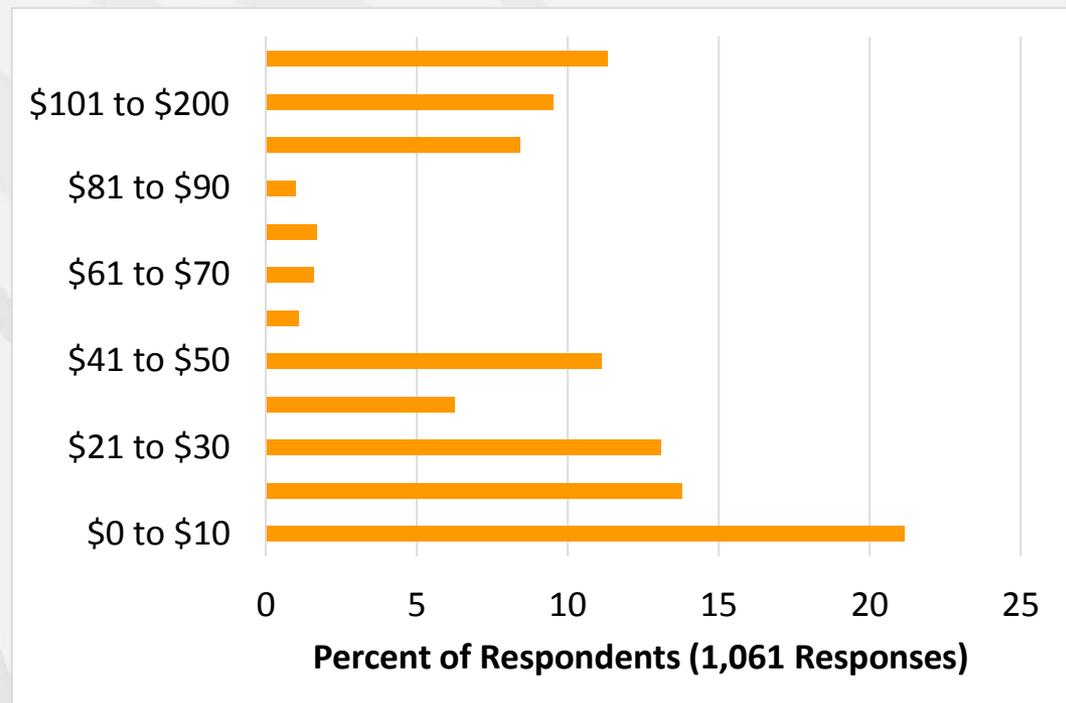
Project	Average Toll Rate	Revenue (2020-2050)
I-65 full toll	\$0.20/mile	\$22.5B
I-70 full toll	\$0.16/mile	\$11.1B
I-69 single bridge	\$6.50/trip	\$3.8B



In addition to revenue potential, it is also important to understand the public's views.

- Public perception of transportation funding.
 - Three focus groups.
 - Online survey of 1,000 Hoosiers.
- Participants provided feedback on:
 - Quality of Indiana roads,
 - Estimated monthly fuel tax bill of average Indiana driver, and
 - Willingness to support various funding mechanisms.

How much does the average driver pay monthly in fuel taxes to the State of Indiana?



This study supports a two-step revenue discussion process.

- ① The results of this study support discussions regarding transportation funding in Indiana.
- ① They provides a structure for exploring funding options that involves two key steps:
 - » Step 1. Decide what Indiana should by.
 - » Step 2. Decide how best to pay for it.

