

# Study of Indiana Transportation Infrastructure Funding Mechanisms

*presented to*

**State of Indiana  
Joint Transportation Commission**

*presented by*

**Cambridge Systematics, Inc.**

**Joe Guerre**

*October 15, 2015*



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

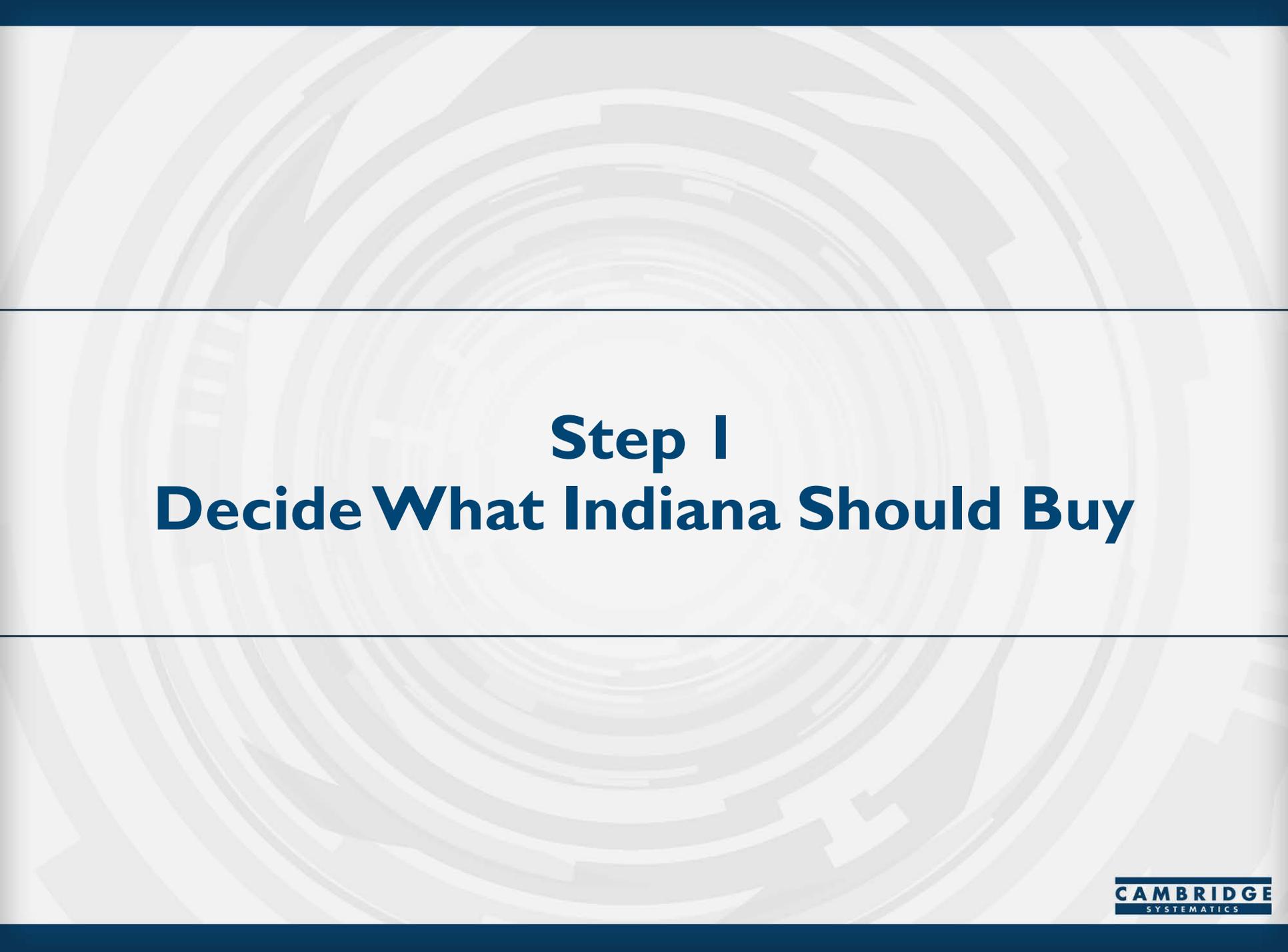
## Background

- 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.





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**Step I**  
**Decide What Indiana Should Buy**

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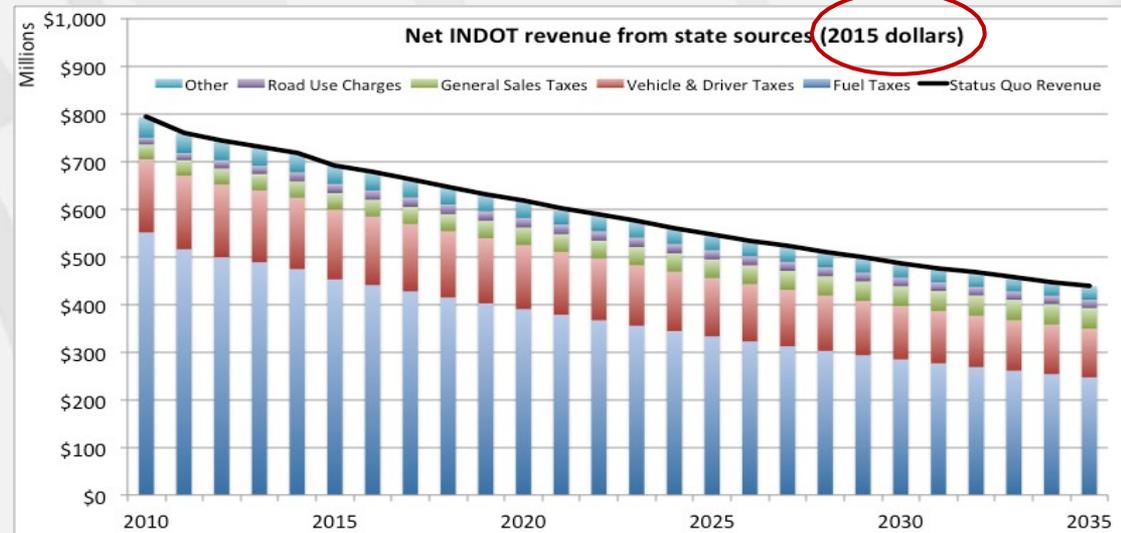
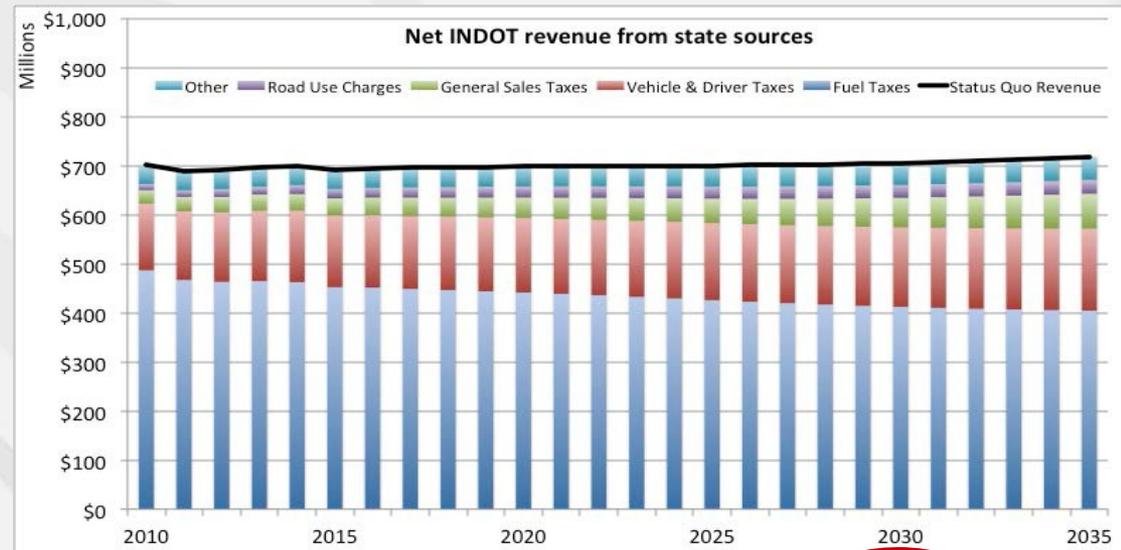
# Achieving a sustainable transportation funding structure is complex.

## Key Findings:

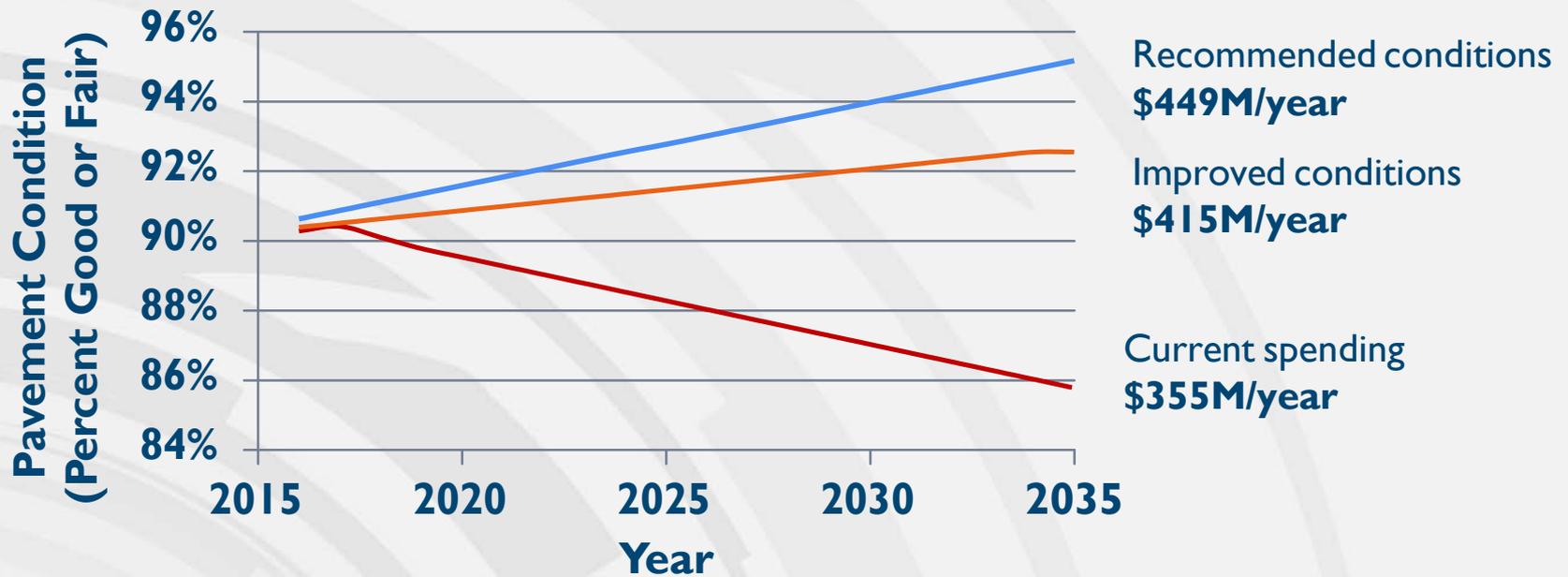
- There is no one answer to how much money is needed to adequately fund transportation projects.
  - » What are the priorities?
  - » What level of service should Indiana provide?
  - » What condition should Indiana's pavements and bridges be in?
- Local transportation needs are pressing, but harder 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.

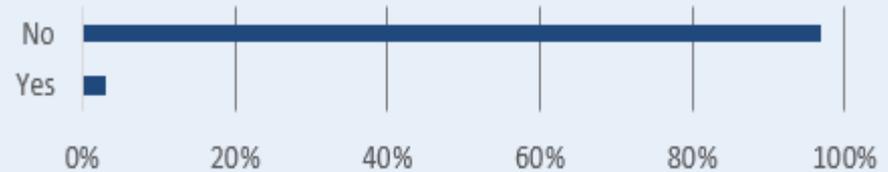


Current funding level for bridges - \$215M/year  
Recommended funding level for bridges - \$290M/year

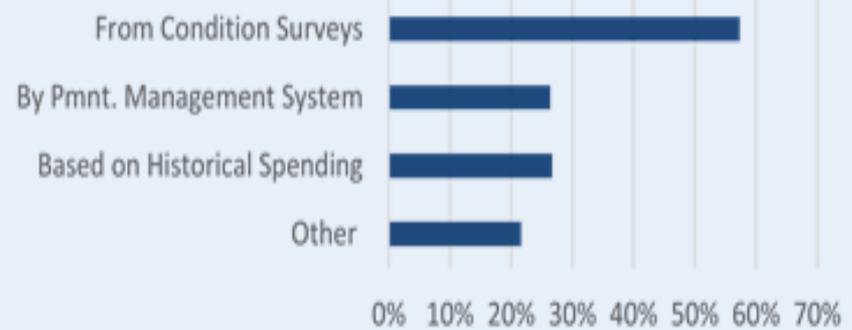
# Local transportation needs are also pressing, but harder to quantify.

- 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?

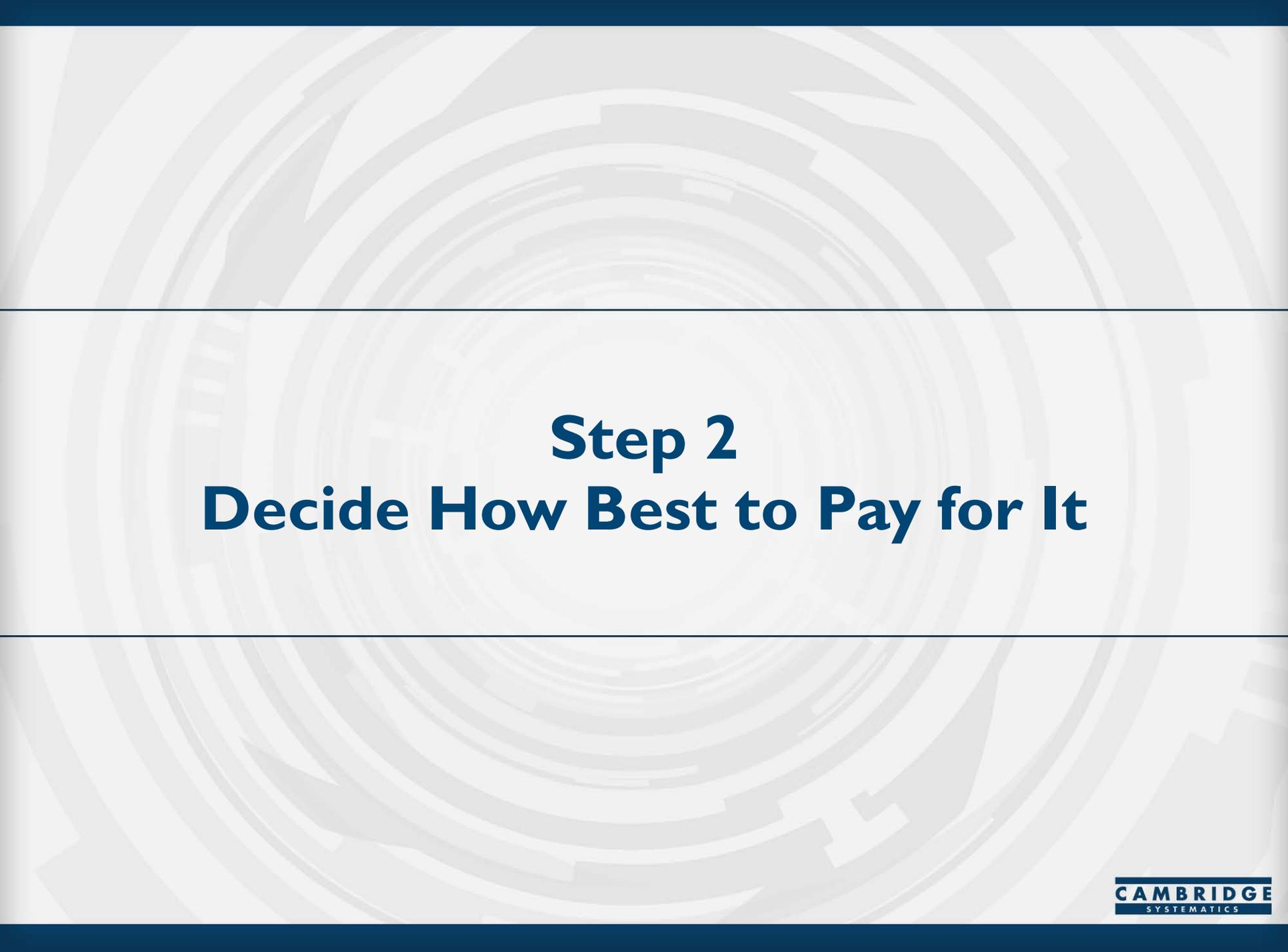


# Transportation costs are extensive, but there are lower cost options.

- 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
<b>Take care of what we have</b>					
	Recommended pavement conditions	√	√	√	√
	Recommended bridge conditions	√	√	√	√
<b>Finish what we started</b>					
	Ongoing statewide priorities	√	√	√	√
<b>Plan for the Future</b>					
	Tier 1 projects		√	√	√
	Tier 2 projects			√	√
	Tier 3 projects			√	√
	Regional priorities				√
<b>Other Operations</b>					
	Current operating costs	√	√	√	√
Annual funding needs		\$1.5B	\$1.9B	\$2.1B	\$3.2B



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# **Step 2**

## **Decide How Best to Pay for It**

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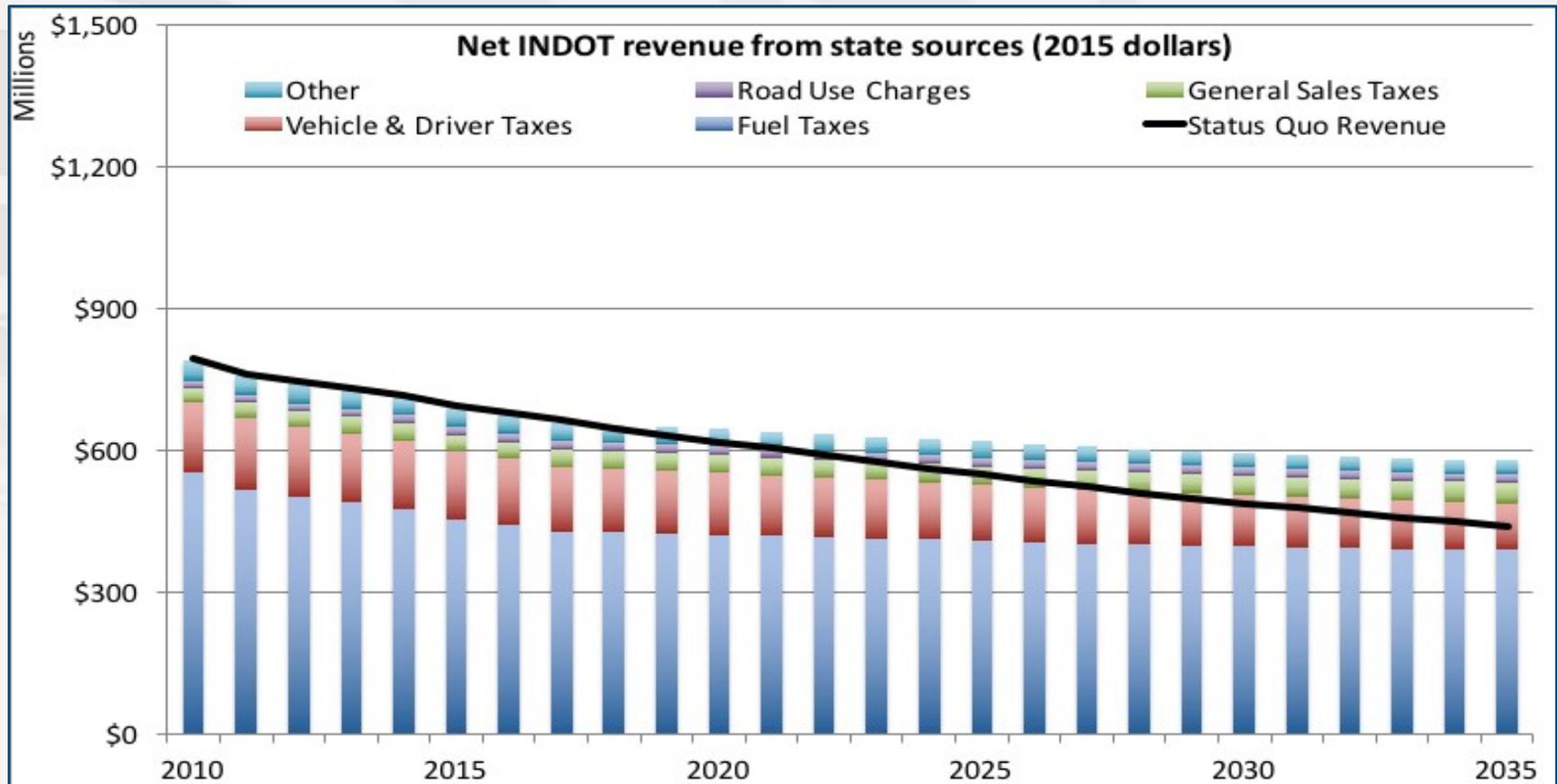
# There are a variety of ways to fund transportation, but no one correct answer.

- 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

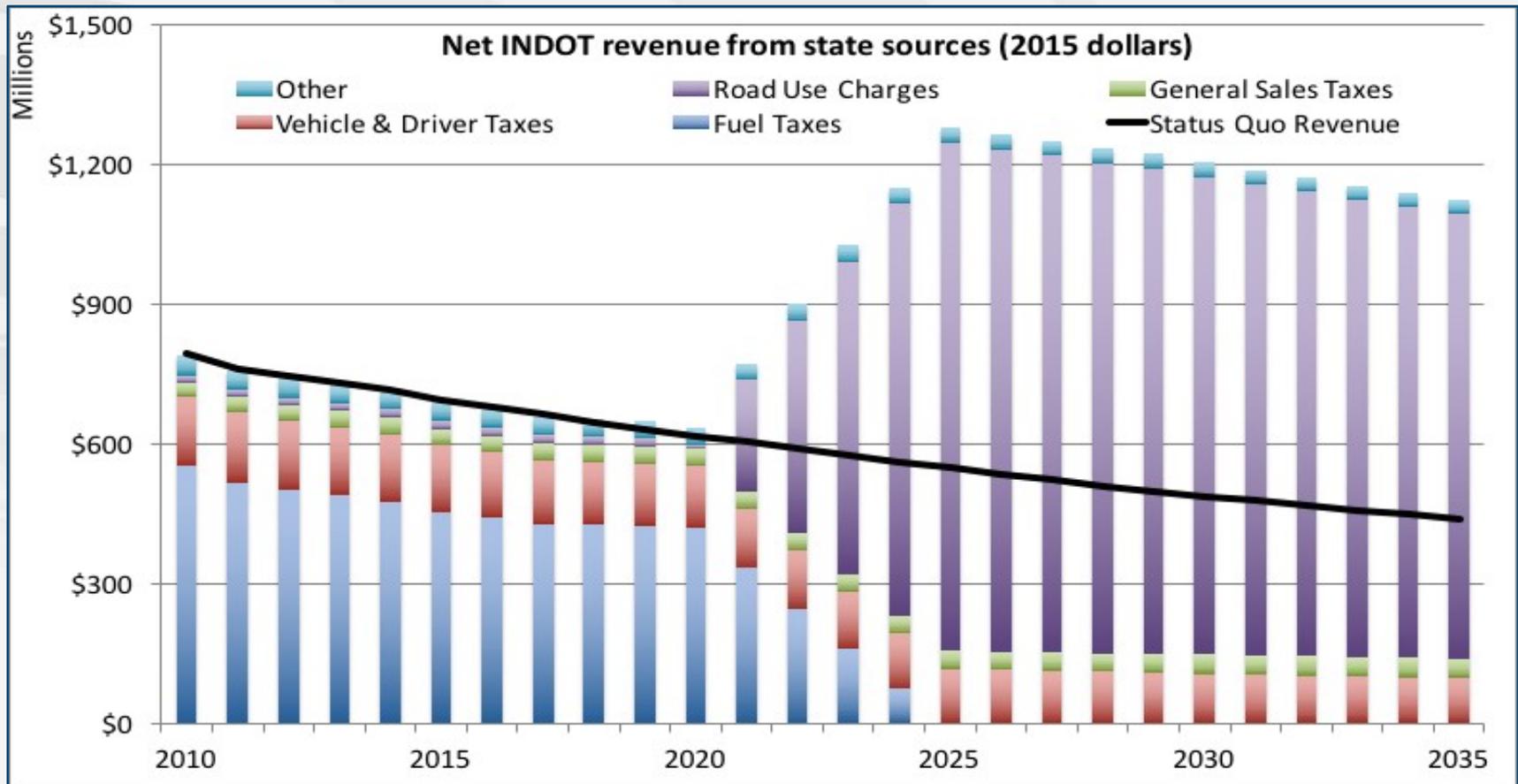
# Example I. Index Fuel Tax to CPI

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



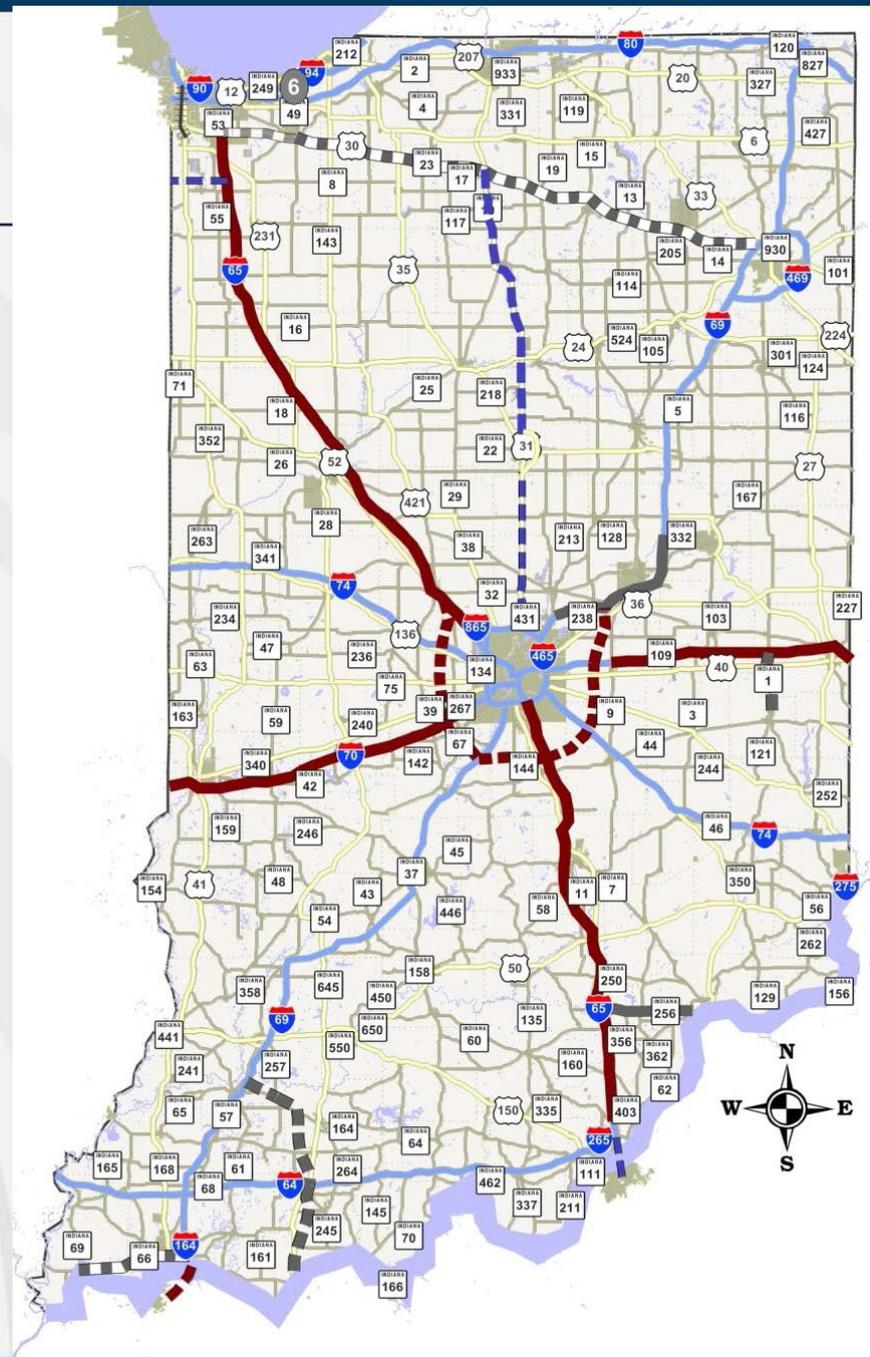
# Example 2. Index Fuel Tax and Transition to Vehicle Mileage Fee and Weight Distance Fee

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.

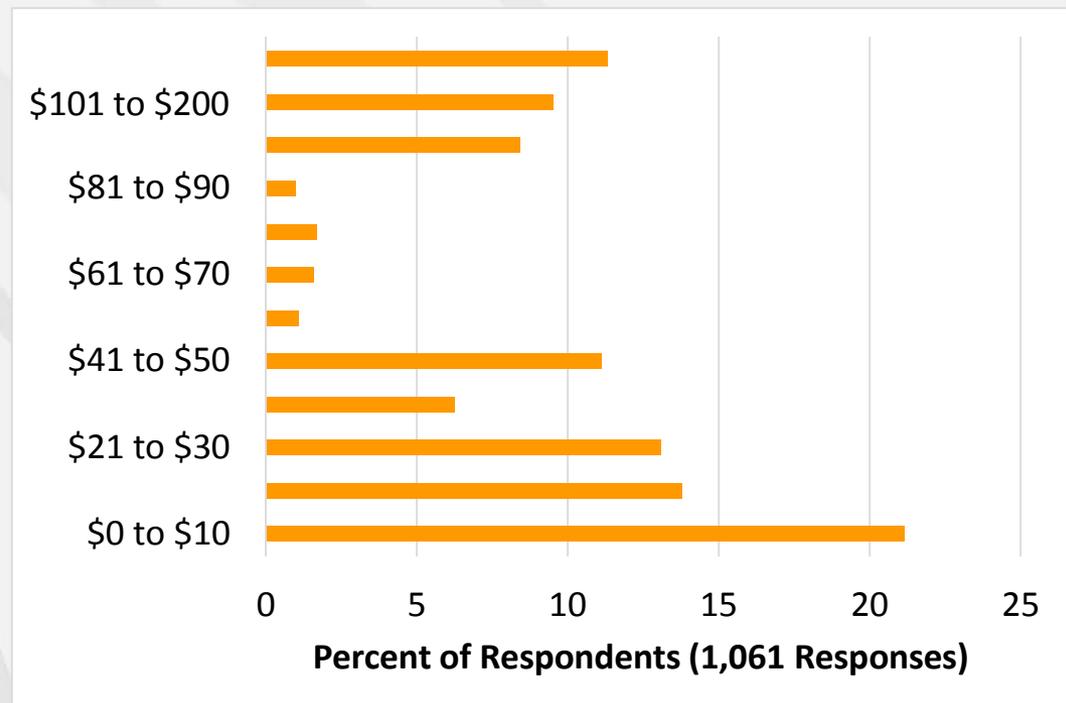
Project	Average Toll Rate	Revenue (2020-2050)
I-65 full toll	\$0.20/mile	\$22.5B
I-70 full toll	\$0.16/mile	\$11.1B
I-69 single bridge	\$6.50/trip	\$3.8B



# 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.

