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**FUNDING INDIANA'S ROADS  
FOR A  
STRONGER SAFER TOMORROW  
TASK FORCE**

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**Indiana Legislative Services Agency  
200 W. Washington Street, Suite 301  
Indianapolis, Indiana 46204**

**Monday December 19, 2016**

# INDIANA LEGISLATIVE COUNCIL

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# **DRAFT FINAL REPORT**

## **Funding Indiana's Roads for a Stronger Safer Tomorrow Task Force**

### **I. LEGISLATIVE COUNCIL DIRECTIVE**

Legislative Council Resolution LCR16-01 charged the Task Force with the following responsibilities:

1. Review state highway and major bridge needs.
2. Verify road and bridge needs at the local level.
3. Develop a long term plan for state highway and major bridge needs that addresses the ten (10) points described in HEA 1001-2016, SECTION 21(g) and:
  - A) will achieve the recommended pavement and bridge conditions;
  - B) will complete the current statewide priority projects by finishing projects that have been started;
  - C) includes Tier 1, 2, and 3 projects; and
  - D) using the model developed by the Indiana department of transportation, includes sustainable funding mechanisms for the various components of the plan.
4. Develop a long term plan for local road and bridge needs.

SECTION 6 of Legislative Council Resolution LCR16-01 requires the Task Force to submit a report of its activities before November 1, 2016. HEA 1001-2016, SECTION 21, requires the Task Force to make a presentation of the Task Force's plan and recommendations to the Budget Committee before January 1, 2017.

### **II. SUMMARY OF ACTIVITIES**

The Task Force has met five times and heard testimony from national, state, and local experts in transportation funding (see witness list below). These experts have provided volumes of information to the Task Force for its review and consideration.

The Task Force also heard testimony from members of the public.

The Task Force Members have reviewed and considered the vast amount of information provided during its meetings and has made findings and recommendations on the charges set forth in HEA 1001-2016 and Legislative Council Resolution LCR16-01.

Following is a summary of each Task Force meeting.

#### **July 21, 2016, Meeting**

The Task Force held its first meeting on July 21, 2016, in Indianapolis. At this meeting

the Task Force heard testimony on the following topics:

(1) The National Transportation Infrastructure Outlook: Joung Lee, of the American Association of State Highway and Transportation Officials (AASHTO), made a presentation to the Task Force covering various transportation issues at the national and state levels. He discussed federal funding and initiatives and covered activities taking place and legislative proposals and enactments in other states.

(2) State and Local Road and Bridge Funding Initiatives Enacted in the Past Ten Years: Dan Paliganoff and Sarah Freeman, both Staff Attorneys with the Indiana Legislative Services Agency (LSA), also made a presentation covering the most recent decade of enactments by the General Assembly and an overview of the revenue sources and historical expenditures on transportation funding. Randhir Jha, economist with the LSA, reviewed the appropriations that have been made for transportation over the last decade.

(3) State Roads and Bridges Overview: Chris Kiefer, Chief of Staff, Indiana Department of Transportation (INDOT) provided the Members with an overview of the state roads and bridges in Indiana, the State's transportation needs and revenue, INDOT's non-interstate expansion project list, and INDOT's interstate expansion project list.

(4) Transportation Construction Industry Viewpoint: Dennis Faulkenberg, Appian Advisors, and Mark Thompson, Milestone Contractors and the Build Indiana Council discussed the outlook for transportation, federal funding, Governor Pence's Blue Ribbon Commission Report, state and local funding gaps for preservation and maintenance, fuel efficient vehicles, and the erosion of buying power caused by inflation. Mr. Thompson discussed the development of specifications, how quality control measures are used, and safety.

### **August 18, 2016, Meeting**

The Task Force held its second meeting on August 18, 2016, in Indianapolis. At this meeting the Task Force heard testimony on the following topics:

(1) Federal and State Transportation Policy Initiatives: Kevin Pula, a transportation expert with the National Association of State Legislatures (NCSL), made a presentation to the Task Force covering, among other things, how funding is shared among units of government with state and local funding comprising the largest share, how three states are authorized to place tolls on existing highways under a federal pilot program, how much is spent on new construction versus maintenance, and what levels of asset management planning is done by state and local governments.

(2) Local Road and Bridge Overview: Brian Gould, Government Affairs Director, Indiana Association of Cities and Towns (IACT), discussed local funding sources, the Community Crossings Matching Grant Program established in HEA 1001-2016 and the related asset management planning, quality standards, city wheel and surtax adoptions, and various other transportation issues facing cities and towns throughout Indiana. Ryan

Hoff, Director of Government Relations and General Counsel, Association of Indiana Counties also discussed local roads and bridges, including county road and bridge responsibilities, county funding, federal fund swap programs, county wheel and surtax adoptions, county highway departments, and various transportation issues facing counties throughout Indiana.

(3) Overview of the Role of the Local Technical Assistance Program in Assisting Local Governments: John Haddock, Purdue University, Director of the Local Assistance Technical Program (LTAP) described the LTAP and how it assists local units on various transportation issues such as LTAP's role in the Crossing Communities Grant Program and its role in standardizing and reviewing asset management plans.

(4) Overview of Regional Logistics Council Activity: David Holt, Vice President, CONEXUS INDIANA, presented information to the Task Force focusing on the business stakeholder involvement in the Conexus Indiana Logistics Council (CILC). He described each CILC region's strategic plan, state and local transportation needs, various plans that have been put together by different groups and how these plans relate to one another.

### **September 29, 2016, Meeting**

The Task Force held its third meeting on September 29, 2016, in Indianapolis. At this meeting Co-Chairpersons Brown and Kenley discussed a time line for making progress on addressing the charges to the Task Force. They encouraged Task Force Members to contact the co-chairs to discuss their particular ideas and emphasized that the first step is to put together a proposal that would be available for review by the public and the Task Force with an ultimate goal of having Task Force recommendations for the Indiana General Assembly to consider.

In addition, the Task Force heard testimony on the following topics:

(1) Analysis of Federal, State and Local Road Funding Sources: Bill Brumbach, Fiscal Analyst with the LSA made a presentation and provided an analysis of Federal, State, and Local road funding sources from state fiscal year 2001 through state fiscal year 2015.

(2) Highway Cost Allocation and Revenue Attribution Study: Dr. Kumares Sinha and Dr. Samuel Labi of the Joint Transportation Research Program at Purdue University made a presentation of their study entitled Indiana's State Highway Cost Allocation & Revenue Attribution Study. The presentation provided background on funding for highway construction, maintenance, and operations, on highway cost allocation studies generally, and on Indiana's study in 1985.

(3) The Weigh in Motion Pilot Program: Darcy Bullock, Program Director, Joint Transportation Research Program and Professor of Civil Engineering at Purdue University discussed weighing vehicles in motion compared to using static weigh scales.

(4) Transportation Debt Overview and Discussion of Other Transportation Financing

Strategies: Dan Huge, Public Finance Director for the Indiana Finance Authority, provided a state debt overview and potential transportation funding options. Mr. Huge discussed lease appropriation debt, tax supported debt, transportation debt service (including a comparison after the September 3, 2016, refunding), and the use of public private partnerships (P3s) for transportation. Mr. Huge also noted that rating agencies are possibly considering an analysis of what has to be done to bring roads and bridges to good condition.

### **November 30, 2016, Meeting**

The Task Force held its fourth meeting on November 30, 2016, in Indianapolis. At this meeting the Task Force heard testimony from the public. The public spoke about and responded to Member questions on various topics, including tolling, state and local transportation infrastructure conditions and needs, gasoline tax, special fuel tax, motor carrier surcharge tax, indexing of fuel tax rates, county and municipal wheel and excise surtaxes, long term sustainable funding, alternative fuel use, and using miles traveled and vehicle weight as a basis for taxation.

### **December 19, 2016, Meeting**

The Task Force held its fifth meeting on December 19, 2016, in Indianapolis.

*MEETING SUMMARY TO BE INSERTED*

## **V. TASK FORCE FINDINGS AND RECOMMENDATIONS**

### **The Task Force makes the following findings:**

1. That a quality network of roads and bridges is critical to Indiana's economic success and that the continuous improvement of our transportation infrastructure is a necessary and appropriate cost that must be borne by the beneficiaries of the system in proportion to their use.
2. That current funding levels are insufficient to meet the critical transportation infrastructure needs of the state and that additional sources of revenue must be identified and dedicated to road and bridge improvements by the General Assembly.
3. That INDOT's work product, as presented to the Task Force on July 21, 2016, can be used as an appropriate proxy for the scope and cost of Indiana's transportation infrastructure funding needs. However, the Task Force cautions that the determination of need is an iterative process and that reliance on INDOT's work product to determine scope and cost should not be viewed as an endorsement of any specific project or list of priorities. To the contrary, the Task Force finds that more work should be done to further refine INDOT's list of transportation infrastructure priorities using a methodology driven by objective data and the achievement of clearly articulated goals.

4. That additional transportation funding needs may still exist at the local government level. Many counties and municipalities have taken appropriate actions to address revenue needs using new and existing authorities, while others have not. The Task Force acknowledges that steps are currently being taken to better enumerate the funding needs of local governments. The Local Technical Assistance Program, housed at Purdue University, is currently working with counties and municipalities to develop and analyze asset management plans, and the result of this work will soon allow for a more accurate understanding of local transportation infrastructure needs.

5. That the General Assembly has taken a number of actions in recent years to increase local road and bridge funding, including the following:

- (A) Permitting a local income tax council to impose a motor vehicle excise surtax and wheel tax.
- (B) Depositing 1% of the state sales tax in the Motor Vehicle Highway Account.
- (C) Repealing the “off-the-top” distributions to the State Police and the Bureau of Motor Vehicles from the Motor Vehicle Highway Account.
- (D) Releasing local income tax reserve balances.
- (E) Transferring excess state reserve funds to the local road and bridge matching grant fund.
- (F) Increasing the maximum rate of the county motor vehicle excise surtax and wheel tax.
- (G) Authorizing a new municipal motor vehicle excise surtax and wheel tax.
- (H) Directing additional state sales tax revenue to the local road and bridge matching grant fund.

6. Given Finding # 2 (that current funding levels are inadequate to meet Indiana’s critical transportation infrastructure needs), that the additional necessary cost of improving Indiana’s roads and bridges should, to the extent possible, be borne by the beneficiaries of the system, including those users who may not reside in Indiana, in proportion to use.

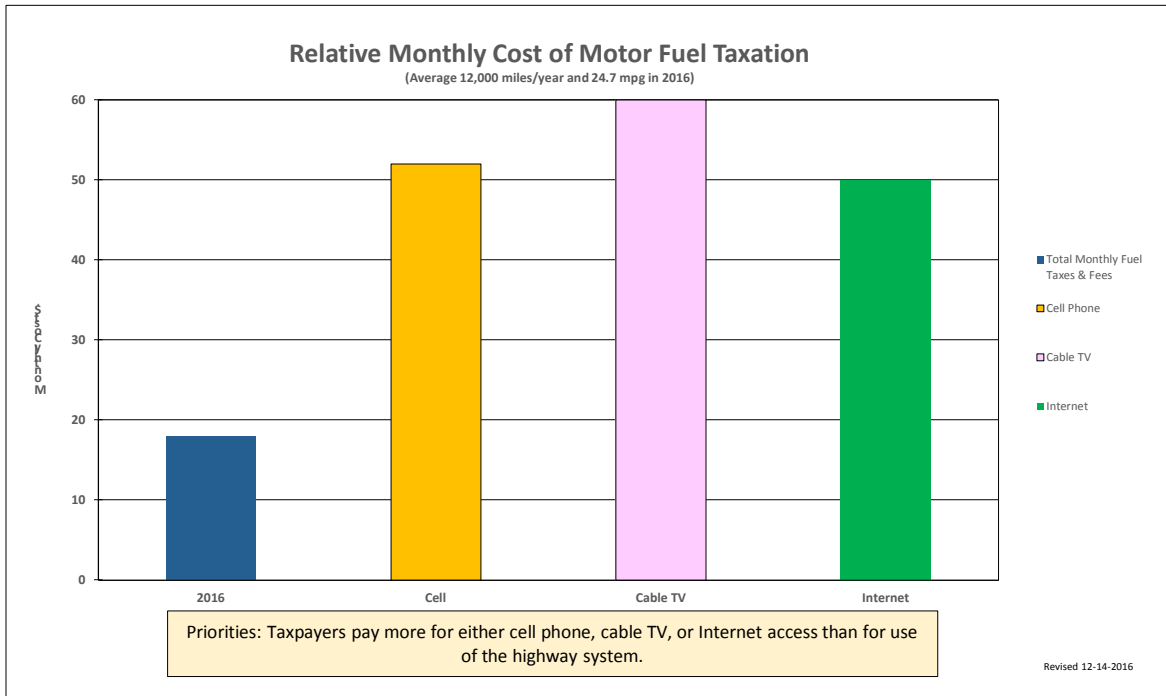
7. That delivering value to the users of Indiana’s transportation infrastructure is of utmost importance and should be emphasized.

8. That the public must be assured that any additional fees assessed for the use of Indiana’s roads and bridges will be used to improve those roads and bridges in the most efficient and effective manner possible and that the users of the system will see a return on their investment.

9. That users of the system need to understand how monthly road usage charges of \$19 rank in relation to the amount paid for other common consumer public and private utility



purchases, such as cell phone service (\$53), cable television service (\$60), and Internet access (\$51), as shown in the following graph provided by INDOT:



**The Task Force recommends the following:**

1. Based on Finding # 2 (that current funding levels are inadequate to meet Indiana’s critical transportation infrastructure needs), that the General Assembly increase its investment in Indiana’s network of roads and bridges by adopting, during the 2017 legislative session, a data-driven, comprehensive, and sustainable long-term plan for funding Indiana’s road and bridge infrastructure needs at both the state and local level.
2. That the General Assembly adopt legislation requiring INDOT to do the following:
  - (A) Develop a set of generally accepted road and bridge metrics, including but not limited to metrics that measure asset condition, congestion, safety, and economic contribution.
  - (B) Benchmark Indiana’s system of transportation infrastructure against similarly situated states using the generally accepted metrics.
  - (C) Develop a set of clearly articulated goals related to asset condition, congestion mitigation, safety improvement, and economic impact that can be measured and assessed on a regular basis.
  - (D) Develop and implement a unified, multi-variant statistical model that will be used to prioritize state transportation projects and predict future funding needs.

3. That in developing a unified, multi-variant statistical model, the following is recommended for the model:
- (A) Inputs to the model should reflect the goals and metrics developed by INDOT.
  - (B) INDOT should incorporate variables related to economic contribution and return on investment in the model.
  - (C) The model should be updated on a continual basis as transportation needs are always evolving.
  - (D) Outputs from the model should be viewed as a guide and not a mandate so that INDOT will continue to have the flexibility to address needs or unexpected events that cannot be captured by a statistical model.
4. That the General Assembly consider the following options to increase funding for road and bridge improvements:
- (A) Immediately increase the gasoline tax to recover some or all of the purchasing power lost since the gasoline tax was last increased in 2003.
  - (B) Immediately increase the special fuel tax to recover some or all of the purchasing power lost since the special fuel tax was last increased in 1988.
  - (C) Immediately increase the motor carrier surcharge tax to recover some or all of the purchasing power lost since the motor carrier surcharge tax was last increased in 1988.
  - (D) Index the rates for the gasoline tax, special fuel tax, and motor carrier surcharge tax on an annual basis to ensure funding stability.
  - (E) Implement road usage fees on alternative fuel vehicles, electric vehicles, and other vehicles which pay little or no fuel tax in support of their use of the roads.
  - (F) Explore options to implement equitable and modern tolling systems on state-controlled highways and interstates to fund major highway and interstate improvement projects.
  - (G) Implement a per vehicle fee on all vehicles registered in Indiana.
  - (H) Increase the tire disposal fee.
  - (I) Shift additional revenue generated from the use tax on gasoline from the state general fund to dedicated transportation funds.
  - (J) Improve over-weight truck enforcement through electronic monitoring of truck weight and permits.
  - (K) Increase fees that are subject to the International Registration Plan.
  - (L) Consider a limited restoration of the Indiana Finance Authority's ability to provide funding through smart debt financing—including highway revenue bonds, grant anticipation revenue vehicle bonds (GARVEE bonds), and transportation infrastructure and innovation act (TIFIA) bonds, provided that the expected life of the project to be financed exceeds the length of the debt repayment.

The documents pertaining to a Task Force meeting can be found at

(1) [Click on this link to access Task Force meetings](#)

(2) After opening the linked web page, expand the title bar for the meeting to see the

documents for that meeting.

The archived video of a meeting may be accessed directly from this Informational Report by doing the following:

- (1) Download the Informational Report.
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- (3) After opening the linked web page, select the date of the meeting to begin viewing the video.

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**Witness List**

Bill Brumbach, Indiana Legislative Services Agency  
Darcy Bullock, Purdue University  
Dennis Faulkenberg, Appian Advisors and Build Indiana Council  
Sarah Freeman, Indiana Legislative Services Agency  
Brian Gould, Indiana Association of Cities and Towns  
John Haddock, Purdue University Local Assistance Technical Program  
Ryan Hoff, Association of Indiana Counties  
David Holt, CONEXUS INDIANA  
Dan Huge, Indiana Finance Authority  
Randhir Jha, Indiana Legislative Services Agency  
Chris Kiefer, Indiana Department of Transportation  
Samuel Labi, Purdue University  
Joung Lee, American Association of State Highway and Transportation Officials  
Members of the Public  
Dan Paliganoff, Indiana Legislative Services Agency  
Russ Phillips, Citizen  
Kevin Pula, National Association of State Legislatures  
Kumares Sinha, Purdue University  
Mark Thompson, Build Indiana Council