INDIANA ENSURES LONG TERM ROAD FUNDING
CONGRESS MUST DO THE SAME

Discussion

HEA 1002, passed by the Indiana General Assembly in 2017, provides for significant and long term road funding. The legislation will result in $617M of additional funding in FY18 for INDOT and local road budgets, growing each year to an additional $1.209B in FY24.

Specifically, the legislation (along with the state budget legislation) has the following elements:

- Raises gas, diesel and motor carrier surcharge taxes by 10 cents each beginning in FY18 and indexes the taxes annually for seven years with a one cent per year cap
- Gradually shifts the sales tax on gas to the state highway fund by 2025 (but allows the Governor to hold back these funds for general fund emergencies subject to review by the state budget committee)
- Increases the International Registration Plan and BMV registration fees by 25% for trucks greater than 26,000 lbs.
- Implements a $15 statewide transportation infrastructure fee for all vehicles less than 26,000 lbs.
- Implements an annual electric vehicle fee of $150 and a hybrid fee of $50
- Eliminates the sales tax on special fuel
- Requires INDOT to study tolling and to apply for a federal tolling waiver; requires state budget committee review before INDOT could implement tolling
- Moves the motor carrier surcharge tax to the pump and applies to all diesel buyers
- Continues the community crossing matching grant program for locals and modifies the match requirements as follows: counties over 50,000 population and cities/towns over 10,000 population will be at a 50/50 match; counties under 50,000 population and cities/towns under 10,000 population will be at a 75/25 match
- Allows INDOT to operate a federal funds exchange program with locals
- Extends local wheel tax/surtax adoption deadlines

- Restricts local uses of MVH funds to exclude paying for police and painting structures and requires that 50% of MVH funds be used for construction, reconstruction and maintenance
- Phases in changes to the MVH split from current 53% state/47% local to 60% state and 40% local beginning in FY18 and ending in FY23
- Allows the IFA to facilitate the completion of a P3 project in a situation where the P3 agreement has been terminated or the IFA has exercised its right to seek remedies

Position

Even with the passage of HEA1002, it is important to remember that federal funds are still a foundational element of road funding in Indiana. Currently, federal funds make up 67% of INDOT's construction budget and a significant portion of local construction as well. Because of policies included in the FAST Act, Indiana's rate of return has declined from FY16 (92.6%) to FY17 (91.59%). We must remain vigilant to ensure that Indiana receives long term, dedicated, stable and fair funding from the FHWA.

NEW REVENUE FOR THE HIGHWAY TRUST FUND

Discussion

A number of factors have reduced fuel tax revenue flowing into the Highway Trust Fund (HTF). These include the rise of fuel efficient and alternative fueled vehicles. In an effort to maintain transportation spending levels, Congress has enacted a series of transfers from the General Fund to the Highway Trust Fund. Since 2008 these transfers have totaled $70 billion. It is questionable if these types of transfers are sustainable over the long term.

Although maintaining current spending levels will be difficult, it is important to note that those levels are not sufficient to meet the nation's needs. Federal Highway Administration studies have found that combined federal, state and local spending on roads and bridges currently total $105 billion annually, while the need is closer to $142 billion.

When the FAST Act expires in 2020, revenue into the Highway Trust Fund will be $20 billion a year short of the amount needed to simply maintain flat funding. In light of these trends, lawmakers must consider some form of revenue enhancements to continue the federal highway program at levels necessary to maintain and improve our national highway system and support economic growth.

Position

As Congress begins work on comprehensive tax reform legislation, new revenue must be identified to sustain the Highway Trust Fund. Studies have identified many options, some of which appear on the next page. BIC supports new revenue that is user fee based, long-term and sustainable.
If Congress is unable to properly fund the program then Congress should give control back to the states.

Matrix of Illustrative Surface Transportation Revenue Options

Existing Highway Trust Fund Revenue Mechanisms	Illustrative Rate or Percentage Increase	Definition of Mechanism/Increase	$ in Billions	
			Assumed 2014 Yield	Total Forecast Yield 2015–2020
Motor Fuel Tax—Diesel	15.0¢	¢/gal increase in current rate (approx. 10% increase in total rate)	$6.54	$41.79
Motor Fuel Tax—Gas	10.0¢	¢/gal increase in current rate (approx. 10% increase in total rate)	$13.21	$78.12
Heavy Vehicle Use Tax	50%	Increase in current revenues, structure not defined	$0.55	$3.42
Sales Tax—Trucks and Trailers	10%	Increase in current revenues, structure not defined	$0.33	$2.19
Tire Tax—Trucks	10%	Increase in current revenues, structure not defined	$0.04	$0.23
Potential Highway Trust Fund Revenue Mechanisms	**Illustrative Rate or Percentage Increase**	**Definition of Mechanism/Increase**	**Assumed 2014 Yield***	**Total Escalated Yield 2015–2020***
Container Tax	$15.00	Dollar per TEU	$0.66	$4.26
Customs Revenues	5.0%	Increase in/reallocation of current revenues, structure not defined	$1.80	$11.66
Drivers License Surcharge	$5.00	Dollar annually	$1.08	$6.98
Freight Bill—Truck Only	0.5%	Percent of gross freight revenues (primary shipments only)	$3.07	$19.90
Freight Bill—All Modes	0.5%	Percent of gross freight revenues (primary shipments only)	$3.80	$24.60
Freight Charge—Ton (Truck Only)	10.0¢	¢/ton of domestic shipments	$1.17	$7.54
Freight Charge—Ton (All Modes)	10.0¢	¢/ton of domestic shipments	$1.44	$9.29
Freight Charge—Ton-Mile (Truck Only)	0.10¢	¢/ton–mile of domestic shipments	$1.41	$9.15
Freight Charge—Ton-Mile (All Modes)	0.10¢	¢/ton–mile of domestic shipments	$3.48	$22.52
Harbor Maintenance Tax	25.0%	Increase in/reallocation of current revenues, structure not defined	$0.43	$2.79
Imported Oil Tax	$2.50	Dollar/barrel	$5.76	$37.28
Income Tax—Business	1.0%	Increase in/reallocation of current revenues, structure not defined	$2.79	$18.06
Income Tax—Personal	0.5%	Increase in/reallocation of current revenues, structure not defined	$6.70	$43.36
Motor Fuel Tax Indexing to CPI—Diesel	–	¢/gal excise tax	–	$5.22
Motor Fuel Tax Indexing to CPI—Gas	–	¢/gal excise tax	–	$10.87
Oil, Gas, and Minerals Receipts	25.0%	Increase in/reallocation of current revenues, structure not defined	$2.20	$14.25
Registration Fee—Electric LDVs	$100.00	Dollar annually	$0.01	$0.06
Registration Fee—Hybrid LDVs	$50.00	Dollar annually	$0.17	$1.12
Registration Fee—Light Duty Vehicles	$15.00	Dollar annually	$3.57	$23.11
Registration Fee—Trucks	$150.00	Dollar annually	$1.63	$10.54
Registration Fee—All vehicles	$20.00	Dollar annually	$4.98	$32.21
Sales Tax—Auto-related Parts & Services	1.0%	Percent of sales	$2.32	$15.04
Sales Tax—Bicycles	1.0%	Percent of sales	$0.06	$0.38
Sales Tax—Diesel	7.6%	Percent of sales (excl. excise taxes)	$9.65	$62.50
Sales Tax—Gas	5.6%	Percent of sales (excl. excise taxes)	$24.05	$155.66
Sales Tax—New Light Duty Vehicles	1.0%	Percent of sales	$2.41	$15.61
Sales Tax—New and Used Light Duty Vehicles	1.0%	Percent of sales	$3.46	$22.40
Tire Tax—Bicycles	$2.50	Dollar per bicycle tire	$0.08	$0.53
Tire Tax—Light Duty Vehicles	1.0%	Of sales of LDV tires	$0.33	$2.12
Transit Passenger Miles Traveled Fee	1.5¢	¢/passenger mile traveled on all transit modes	$0.84	$5.45
Vehicle Miles Traveled Fee—Light Duty Vehicles	1.0¢	¢/LDV vehicle mile traveled on all roads	$27.12	$175.58
Vehicle Miles Traveled Fee—Trucks	4.0¢	¢/truck vehicle mile traveled on all roads	$10.93	$70.73
Vehicle Miles Traveled Fee—All Vehicles	–	¢/vehicle mile traveled on all roads	$38.05	$246.31

** Base annual yield escalated using CPI-U.*

TRUMP INFRASTRUCTURE PACKAGE

Discussion

President Trump has vowed to advance a massive investment in the nation's infrastructure. Both the President and his aids have made statements characterizing his vision. These comments indicate that the White House will propose a plan to bring about a trillion dollar investment over 10 years. That investment will be made up of both private financing and direct federal spending. The plan will be multi-modal and multi-network, benefiting highways, aviation, rail, navigation, water supply, electric, and communications infrastructure. There will be a focus on so-called "shovel ready" projects which can be moved to construction quickly. To speed the process further, the President had urged the elimination of regulatory red tape that both slows projects and causes them to be more expensive.

The need for additional infrastructure investment is well documented. For example, according to the U.S. Department of Transportation (USDOT), improving the nation's highways and bridges will require annual investment of $142 billion. By comparison, current annual investment totals only $105 billion. Infrastructure investment not only creates direct jobs through construction activity, but it also provides a strong foundation for future economic growth and competitiveness.

Signaling bi-partisan support, last January Senate Democrats introduced their own infrastructure financing scheme totaling $1 trillion.

Position

Build Indiana Council encourages Congress to work cooperatively with the White House to produce infrastructure investment legislation in 2017 that has a strong focus on highways and bridges. While private financing is an important tool to fund projects, it has limited application and must be supplemented with new direct federal spending.

The new infrastructure package must be fair to Indiana. Our state has an unfortunate history of being short-changed in federal highway funds. If the legislation includes lists of high-profile projects, an appropriate share of Indiana projects must be on the list. If funds are distributed to the states by formula, then those formulas must be fair to Indiana.

ALLOW STATES TO TOLL INTERSTATES

Discussion

HEA 1002, passed by the Indiana General Assembly in 2017, provides for long term road funding. A significant part of the "long term" aspect of the legislation provides for tolling of Indiana's interstates in the near future to generate sustainable road funding when increased vehicle fuel economy may lead to declining fuel tax revenues. According to the Cambridge Systematics study performed in 2015, tolling only new lanes on I-65 and I-70 would provide an average $178M a year for the state. Tolling all lanes on I-65, I-70 and a new I-69 bridge at Evansville would provide an average $1.23B a year for Indiana. Specifically, HEA 1002 requires that INDOT submit a request for a FHWA waiver to allow Indiana to toll lanes on its interstates. The legislation also requires INDOT to perform a feasibility study of interstate tolling by November 1, 2017 and submit it to the state budget committee. After completion of the feasibility study, if the Governor believes tolling is a good policy for paying for the interstates, INDOT must submit a strategic plan to the state budget committee by December 1, 2018.

While not specified in the legislation, it is presumed that Indiana will apply for a FHWA waiver through the Interstate System Reconstruction and Rehabilitation (ISRR) program. There are three slots allowed in this program, and while all three were awarded to states in previous years, the recent FAST Act put new limits on the participation in the ISRR pilot. An applicant provisionally approved by FHWA (Missouri, Virginia, North Carolina) before the enactment of the FAST Act has one year to move to an executed toll agreement with FHWA. Approvals given after the enactment have 3 years to move to an executed toll agreement. Because of the role that tolling plays in the future of Indiana's road funding, it is important that Indiana maintain control of tolling its roads. Recent reports have indicated that the Trump Administration may be examining a national tolling program in order to provide direct federal spending for its infrastructure plan. However, if that would occur, Indiana would lose the ability to set toll rates, determine the best toll roads, and keep 100% of the revenue.

Position

The Build Indiana Council supports the move towards tolling in the state of Indiana. We ask our Congressional delegation to be supportive of the state's waiver requests, and help in any way possible. In addition, we ask that our Members of Congress make it clear that tolling of roads should remain a state decision and responsibility, and that Indiana should be a recipient of the revenues. In addition, Congress should open up the ability to toll the interstates to all states.