

THE INDIANA CROSSROADS PROJECT

OUR NEXT GENERATION OF HIGHWAYS & BYWAYS

August 2006

"...the gap between road-building needs and projected tax revenue is estimated in the hundreds of billions of dollars, and growing."

- Governor Mitch Daniels, NY Times, May 27, 2006



Fuel Taxes for Roads – A Brief History

State Governments

- States (Oregon, New Mexico, Colorado) in 1919
- Main source of highway revenue by 1929.
- States dedicated revenue to roads
- Public support for these taxes and fees was strong.



Fuel Taxes for Roads – A Brief History

Federal Government

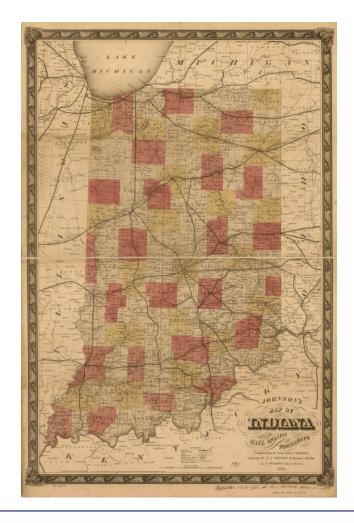
- 1932 President Hoover proposed first federal fuel tax
- For Budget Deficit, not road building
- Much disliked, much maligned
- Eisenhower Interstate System 1956
 - 1 st Federal dedication of fuel tax to roads
 - Interstate system changed America



The Importance of Roads in Indiana

- · Indiana: "The Crossroads of America"
 - ✓ Transportation
 - ✓ Distribution
 - **√**Logistics
- > TDL's Relationship to our Economic Vitality
 - ✓ Not just a contributor, but fundamental

-map of Indiana Railroads, 1898





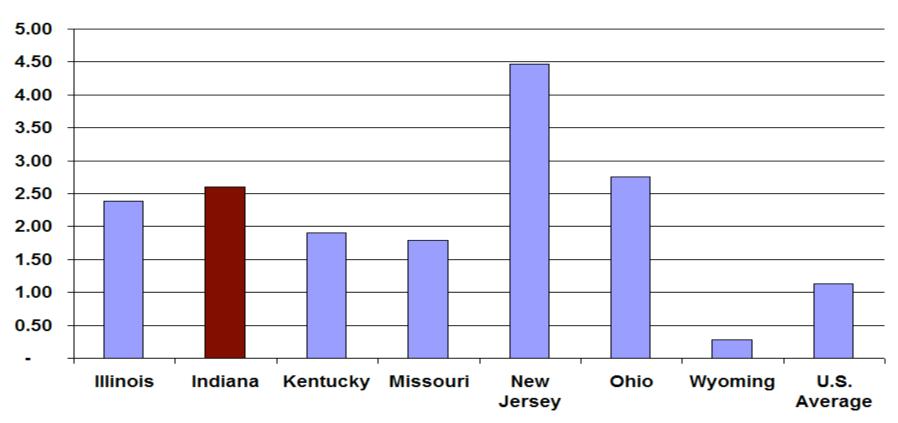
The Importance of Roads in Indiana

Indiana's Economy and Fiscal Condition

- Falling Behind 1965 to now
- Recovery from 2001 Recession
- Fiscal Constraints ever-tightening
- \$3.8 billion is One-Time
- Does Not Solve the Problems That Caused the Backlog.
- Potentially Destructive Pressures on Transportation AND General Fund Budget



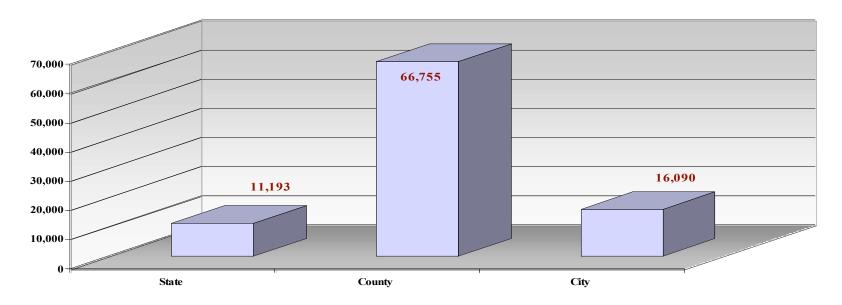
Road Miles per Square Mile Selected States





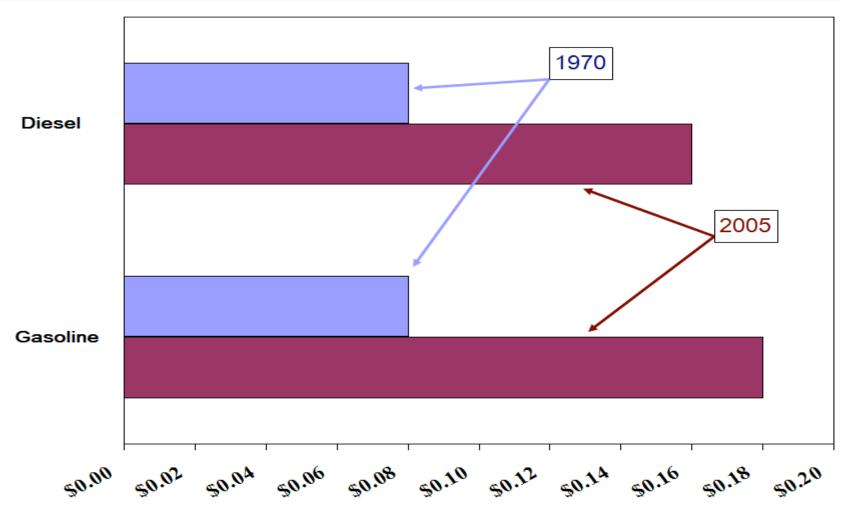
Streets, Roads, and Highways in Indiana - 2003

Centerline Road Miles



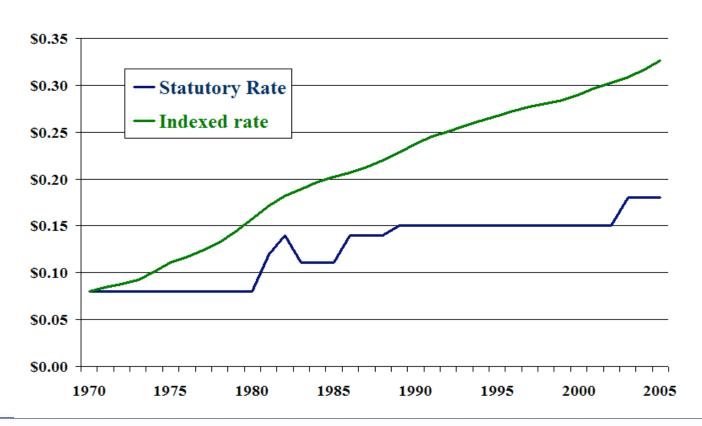


Indiana Motor Fuel Tax Rates



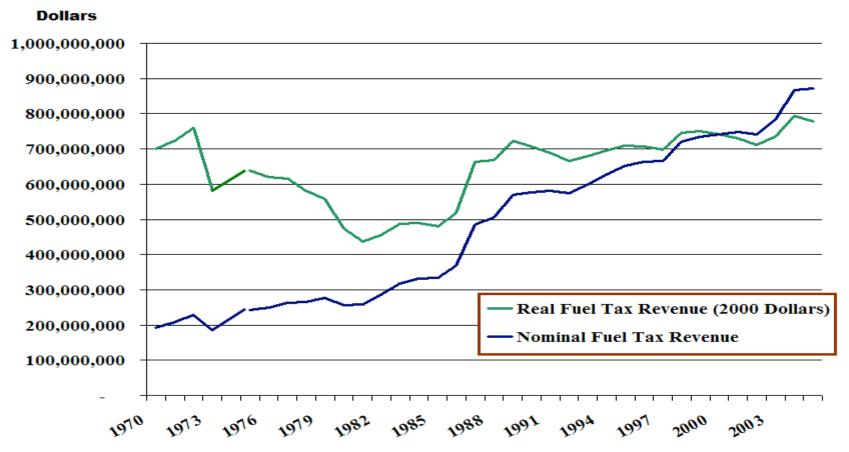


Indiana Gasoline Tax Rates, 1970 to 2005 Statutory and Indexed to Inflation



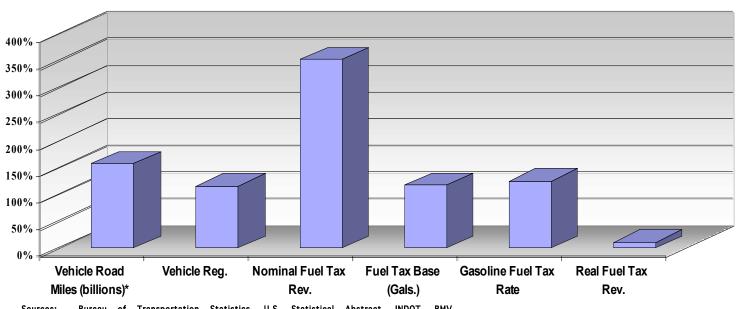


Indiana Fuel Tax Revenue 1970 - 2005





Selected Road Use Data - Percent Change 1970-2005



Sources: Bureau of Transportation Statistics, U.S. Statistical Abstract, INDOT, BMV,

^{*} Latest data avaiable - 2003

Purdue Study Commissioned by INDOT - 2005

- Estimated 15 year (2006-2020) funding gap of \$30 bil.
- Gap is combined state and local need

<u>Hudson Institute - A Vision of America's</u> <u>Transportation Future - 2004</u>

- A National Funding Shortfall Breakdown of existing funding mechanisms
- Need to Fully Integrate Nation's Transportation Systems
- User Fee Supported Road and Highway Systems & Byways



Two Primary Strategic Questions

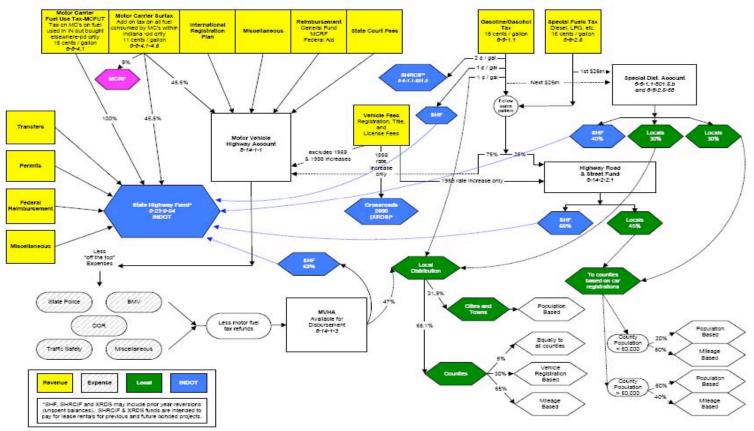
- 1. The Optimal Road System: What will it cost?
 - The relationship between cost and beneft
 - The changing environment
 - · Increasing Commerce
 - · Agriculture, Biofuels, Other Alternatives
 - Safety and Congestion
- 2. How to pay for it?
 - User fee proxies (continued use of fuel taxes)
 - General Taxes (sales and income)
 - Road use fees the power of new technology
 - Privacy a Real and Legitimate Concern

Project Specifics

- Major Research Project 18 to 30 months
 - Full-Time Research Assistant added to IFPI staff
- Research Partners Purdue, Private Sector
- Multiple Documents 3 or 4, staged
 - Historical where we've been, where we are
 - Identify Trends where we're going
 - Alternatives, Analysis, Recommendations
 - Federal Grant-Funded Pilot Project
- Funding
 - Private Support (restricted)
 - Federal, State Grants
 - Working Budget Range Estimate: \$1.1 to \$2.5 mil.

Indiana Transportation Funding

Effective January 1, 2003



Prepared by INDOT Budget Fiscal Management Division. Federal funds and local option taxes not included.



Welcome to the IFPI

About IFPI | Membership |

Property Tax Equalization Study

Publications | Press Room | Links & Resources | Contact Us

The Indiana Fiscal Policy Institute (IFPI), formed in 1987, is a private, non-profit governmental research organization.

The IFPI is Indiana's only independent statewide source of continuing research into the impact of state taxing and spending policies in Indiana. The IFPI is privately supported by a variety of organizations, corporations, associations, and individuals in Indiana and surrounding states.

IFPI's Mission is to enhance the effectiveness and accountability of state and local government through the education of public sector, business, and labor leaders on significant fiscal policy issues and the

consequences of state and local decisions. The Institute makes a significant contribution to the important, ongoing debate over the appropriate role of government. The Institute does not lobby, support, or oppose candidates for public office. Instead, it relies on objective research evidence as the basis for assessing sound state fiscal policy.

Contributions to the IFPI are fully tax deductible under section 501(c)3 of the Internal Revenue Code.

The Indiana Fiscal Policy Institute is a member of the National Taxpayer's Conference

Press Room Budget Brief 2005:4 (May 12, 2005) Report
 News Release Budget Brief 2005:3 (April 14, 2005)

The Teachers' Retirement Fund's Pension Stabilization Fund-A Trust Fund Insuring Indiana's Commitments (3/30/05)

Budget Brief 2005:2 The House of Representatives Budget, Chapter 2

Report News Release

Budget Brief 2005:1 Governor Daniels' First Budget: Defeating the Deficit, Chapter 1

About IFPI | Membership | Property Tax Equalization Study | Publications Press Room | Links & Resources | Contact Us | Privacy Policy | Terms of Use One N. Pennsylvania St., Ste. 1000 Indianapolis, IN 46204 Phone: 317-237-2890 | E-mail: ifp © 2005 Indiana Fiscal Policy Institute - All rights reserved



www.indianaf scal.org

Steve.Johnson@indianaf scal.org Mark.Brown@indianaf scal.org

One N. Pennsylvania Street, Suite 1000 Indianapolis, Indiana 46204 317-237-2890