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
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.
Federal Government

- 1932 – President Hoover proposed first federal fuel tax
- For Budget Deficit, not road building
- Much disliked, much maligned
- Eisenhower Interstate System — 1956
  - 1st 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

- Illinois
- Indiana
- Kentucky
- Missouri
- New Jersey
- Ohio
- Wyoming
- U.S. Average

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Streets, Roads, and Highways in Indiana - 2003

Centerline Road Miles

- State: 11,193 miles
- County: 66,755 miles
- City: 16,090 miles
Indiana Motor Fuel Tax Rates

- Diesel: 1970 rate
- Gasoline: 2005 rate
Indiana Gasoline Tax Rates, 1970 to 2005
Statutory and Indexed to Inflation

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Selected Road Use Data -
Percent Change 1970-2005

Sources: Bureau of Transportation Statistics, U.S. Statistical Abstract, INDOT, BMV,
* Latest data available - 2003
Purdue Study Commissioned by INDOT - 2005

- Gap is combined state and local need

Hudson Institute - A Vision of America’s Transportation Future - 2004

- A National Funding Shortfall - Breakdown of existing funding mechanisms
- Need to Fully Integrate Nation’s Transportation Systems

- User - Fee Supported Road and Highway System
Two Primary Strategic Questions

1. **The Optimal Road System: What will it cost?**
   - The relationship between cost and benefit
   - 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.
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 and the Governmental Research Association.
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