Driving Home a Long-Term Transportation Funding Solution in Indiana

By Representative Ed Soliday, Hardik Shah, P.E., PTOE, Steven J. Davidson, P.E., and Chris Murphy, P.E.

When Indiana Governor Eric Holcomb signed into law House Bill 1002-2017 on April 27, it put the wheels in motion, so to speak, for a fully funded, 20-year plan to operate, maintain, and improve every state road and bridge—a feat almost no other state can claim. At the signing ceremony, Gov. Holcomb said, “Indiana lawmakers passed an infrastructure plan of historic proportions, putting our state in a strong position to finish what we started, maintain what we have, and build for future growth.”

This is the story of how a bipartisan effort by legislators and an advocacy surge by civic organizations and business leaders achieved passage of legislation funding the largest investment in transportation infrastructure in Indiana history.

Background
By the mid-2010s, it was more than evident that Indiana’s road transportation system was underfunded. An immediate need existed to upgrade the interstate, state, and local roads and bridges. The state legislature took several steps to address the situation. In 2011, the House/Senate Infrastructure Summer Study Committee was formed using a data-driven approach to analysis, problem definition, and solutions. Two years later in 2013, the legislature mandated the hiring of an outside consulting firm to create a multi-variant modeling tool to quantify alternative approaches to infrastructure funding and benchmarking tools. Also that year, the legislature eliminated the diversions and directed a portion of the sales tax to road funding in the 2013 session of the budget bill and created the Major Moves 2020 fund that directed $600 million over a two-year period to widen and rehabilitate four-lane interstates.

These and other stopgap measures over the past two decades had funded road improvements, as did revenue from leasing of the Indiana Toll Road to a private entity, but nothing long-term stuck. It appeared a long-term solution might win passage in 2016, but it wasn’t meant to be. A proposal to raise the cigarette tax and gasoline tax to fund road projects died after then-Gov. Mike Pence and the Senate rejected that proposal. However, the passage of House Bill 1001-2016 freed up $1 billion for immediate state and local road projects. It also established the Funding Indiana’s Roads for a Stronger, Safer Tomorrow task force, or FIRSST, and charged it will developing a long-term funding plan for the state’s infrastructure.

FIRSST Moves Forward
The task force included 16 members—eight of whom were state legislators, including House Road and Transportation Chairman Ed Soliday (R-Valparaiso) and Senate Appropriations Committee Chairman Luke Kenley (R-Noblesville). The other eight members were representatives of local governments and industry and transportation-related groups.
The task force was ordered to review state highway and bridge needs, verify those needs at the local level, and develop a long-term sustainable funding plan. Task force members also were to craft the long-term plan so that it finished projects already started and determine future priorities using a three-tier system. The group met five times between July and December 2016, hearing testimony from 20 people including national, state, and local transportation experts. The Indiana Department of Transportation (INDOT) presented testimony that it would take at least $390 million a year to bring 95 percent of Indiana’s roads to a rating of “fair” or better, and another $400 million to upgrade bridges to a similar level. INDOT also presented a 20-year infrastructure plan that would be used as a proxy for setting road priorities, although the task force emphasized that final priorities would be determined by careful reviews that included a data-driven formula to determine need and priority.

Ultimately, the task force released a 12-page report, adopted by a 10-1 vote, which served as the basis for House Bill (HB) 1002 introduced in the 2017 General Assembly. The report found that current funding levels were insufficient to meet the state’s “critical transportation infrastructure needs” and that the General Assembly needed to identify and dedicate additional sources of revenue to road and bridge improvements. In its report, the task force identified 12 possible revenue sources, many of which found their way in HB 1002. These included:

- Increase the 18-cents per gallon gas tax, which was last increased in 2003;
- Increase the 16-cents per gallon special fuel tax assessed on suppliers of diesel, biodiesel, and natural gas product, which was last increased in 1988;
- Increase the 11-cents per gallon motor carrier surcharge assessed on the total amount of fuel used by carriers, which was last increased in 1988;
- Index the rates of these three taxes on an annual basis;
- Implement road use fees on alternative fuel, electric, and other vehicles;
- Explore tolling on state-controlled highways and interstates;
- Implement a per-vehicle fee on all vehicles registered in Indiana;
- Increase the tire-disposal fee;
- Shift more revenue from the sales tax on gasoline from the general fund to a dedicated transportation fund; and
- Improve overweight truck enforcement through electronic monitoring of weights and permits.

**Indiana General Assembly Session 2017**

Newly elected Gov. Holcomb in early January released his legislative program titled, “Five Pillars: Next Level Indiana.” Number two of the five points is to create a 20-year plan to fund roads and bridges. Rep. Holiday next led the work to draft HB 1002 that would be data driven, funding Indiana’s infrastructure to be comprehensive, sustainable, and responsible. The bill’s key components, per the FIFRSST task force’s recommendation, tied road and bridge improvement to user-related taxes and fees. This was seen as a first step in persuading public opinion and consensus to support a long-term comprehensive transportation improvement plan. Among the bill’s key components were these points:

- Increase the gasoline tax, special fuel tax, and motor carrier surcharge tax each by 10 cents.
- Index all fuel tax rates annually using a formula that incorporates inflation and Indiana personal income growth.
- Transfer, over three fiscal years (FY 2019 to FY 2021), the remaining 4.5 pennies of the sales tax on gasoline from the General Fund to the State Highway Fund.
- Implement a $15 annual statewide infrastructure improvement fee on all registered vehicles, a $50 fee on hybrids, and $150 fee on all electric vehicles. All of these increased fee would be directed to the Community Crossings Matching Grant Fund that funds local road and bridge projects.
- Require INDOT to further study tolling and submit a waiver to the federal government to allow tolling of existing interstates.

**Advocacy Efforts Inform Public**

Leading up to and including the General Assembly session, a massive advocacy effort by a 15-member coalition known as the Road Funding Partners worked to facilitate public opinion and consensus about why this bill was needed. Key Road Funding Partners included the Indiana Chamber of Commerce, which had worked behind the scenes for several years to educate and lobby for a comprehensive transportation funding plan. Road Fund Partners also included the Indiana Chamber of Commerce, ACEC Indiana, Build Indiana Council, Association of Indiana Counties, Accelerate Indiana Municipalities, Indiana Constructors, operating engineers, building trades, laborers, and more.

The Road Funding Partners drove a concerted effort urging its members and affiliates to contact their state representatives and senators in support of HB 1002 before its hearing on January 27. They were also urged to attend legislative town halls in their communities to voice their support of the bill. Key among the coalition’s messages were that this long-term funding plan was needed to keep Indiana roads and bridges safe, to boost economic development, to maintain Indiana as “the Crossroads of America,” and to support infrastructure projects critical to economic and job growth.

A social media campaign was another component. A series of 33 suggested Twitter and Facebook postings were distributed to coalition constituents for their use, along with the hashtags #Roads4OurFuture and #ReformRoadFunding. The group also organized Road Funding Day at the Indiana Statehouse to urge legislators to enact a long-term road funding plan. The February
21, 2017 event featured Gov. Eric Holcomb, House Speaker Brian Bosma, Soliday, Kenley, and INDOT Commissioner Joe McGuiness, who had also been a member of the FIRSST Committee just months earlier when he was mayor of Franklin, Indiana. Attendees were also encouraged to speak to legislators in person.

Compromise and Ultimate Passage of the Bill
The Indiana Senate had its own transportation plan. Senators passed a bill that included the $15 vehicle registration fee, the 10-cent gas tax increase, and a provision giving the governor authority to seek interstate tolling, just like the House version. It also included a $5 fee on tires and a fee increase on commercial vehicles. It also would move all proceeds from the state’s sales tax on gasoline to road and would fill the resulting budget hole with a higher cigarette tax.

On the final day of the 2017 legislative, the General Assembly reached a compromise on HB 1002 after several days of intense negotiations. The bill raised the gasoline, special fuel, and motor carrier surcharge taxes as proposed in the original bill, effective July 1, 2017. The bill also indexes these taxes annually for seven years for inflation with a one-cent-per-year cap. It increased annual vehicle registration fees to $15 for most vehicles, $50 for hybrids, and $150 for electric vehicles as in the original bill. All fees will go to support Community Crossings, a state matching grant program for funding local road and bridges projects.

<table>
<thead>
<tr>
<th>HB 1002 (in millions $)</th>
<th>STATE</th>
<th>LOCAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018</td>
<td>FY 2019</td>
<td>FY 2020</td>
</tr>
<tr>
<td>Gas Tax (+10 cents in FY18; Index annually)</td>
<td>$175</td>
<td>$219</td>
</tr>
<tr>
<td>Special Fuel Tax (+10 cents in FY18; Index annually)</td>
<td>$70</td>
<td>$89</td>
</tr>
<tr>
<td>Motor Carrier Surcharge Tax (+10 cents in FY18; Index annually)</td>
<td>$87</td>
<td>$98</td>
</tr>
<tr>
<td>Gasoline Sales Tax (+.75¢ per year beginning in FY20)</td>
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<td>$0</td>
</tr>
<tr>
<td>IRP and BMV Fee Increase (25%)</td>
<td>$21</td>
<td>$26</td>
</tr>
<tr>
<td>Base MVH Shift to SHF from Local MVH</td>
<td>$4</td>
<td>$15</td>
</tr>
<tr>
<td><strong>TOTAL NEW STATE $</strong></td>
<td><strong>$357</strong></td>
<td><strong>$448</strong></td>
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<tr>
<td>State MVH Share (Current = 53%)</td>
<td>54.50%</td>
<td>59.25%</td>
</tr>
<tr>
<td><strong>TOTAL NEW LOCAL $</strong></td>
<td><strong>$260</strong></td>
<td><strong>$264</strong></td>
</tr>
<tr>
<td>Local MVH Share (Current = 47%)</td>
<td>45.50%</td>
<td>40.75%</td>
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**TOTAL NEW STATE + LOCAL $** | **$617** | **$711** | **$810** | **$917** | **$1,021** | **$1,117** | **$1,209**
A key compromise between the House and Senate version is the gradual shift over five years in sales tax revenue on gas from the state's general fund to a dedicated infrastructure fund, starting in 2020. By 2025, all taxes paid at the pump will go toward roads. The bill included a provision that if a state emergency is declared, the governor and the State Budget Committee can halt the incremental sales tax transfers.

What the Bill Accomplishes
All told, the bill will raise $1.2 billion a year in new dollars beginning in FY 2024—$900 million a year for state infrastructure and $300 million a year in local new road funding. In FY 2018, it will generate $617 million in new funding—$357 million for state projects and $260 million for local projects.

The bill also requires INDOT to study future tolling and to submit a waiver to the federal government to allow tolling on existing interstates. The governor hopes to have a draft tolling plan by the end of 2018.

In July, Gov. Holcomb announced the first five years of statewide projects funded by the bill. The 20-year program is now known as Next Level Roads and will dedicate more than $30 billion to improving the state’s transportation infrastructure. Over the next five years, the investment totals approximately $4.7 billion to resurface nearly 10,000 miles and repair or replace approximately 1,300 bridges.

Next Level Roads drives home the message that the funding program is enhancing the state’s position as a leader in freight and logistics and is empowering cities, towns, and counties to build communities that attract jobs and talent. As Gov. Holcomb has said many times since the bill’s passage, “In Indiana, the Crossroads of America is more than a motto; it’s our mission.”

Representative Ed Soliday remarked, “We have a responsible, 20-year plan that supports safe roads and bridges and gives a lot more money for local infrastructure. We worked together as a team to create a data-driven measure that takes care of what we have and builds for the future without leaving debt for our children and grandchildren.”

Acknowledgment
Thank you to Rosemarie Kelly, communications coordinator at American Structurepoint, for assistance in developing this article. itej

Ed Soliday has served as the Indiana State Representative from District 4 since 2006. He is chairman of the Roads & Transportation Committee, a member of the Utilities and Energy Committee, a member of the Veterans Affairs & Public Safety Committee, and a member of the Indiana Military and Veterans Affairs Commission. Ed was employed by United Airlines for more than 35 years and also served

Hardik Shah, P.E., PTOE is a director of development at American Structurepoint. He is a well-rounded expert in the area of traffic/transportation engineering and planning, an outside-the-box thinker for innovative and value engineering solutions with 13 years of professional experience in the transportation industry. He has been actively involved in design, development and management of multitude of traditional and high-profile projects that Structurepoint has undertaken for various public and private sector clients. He is an active member of ITE and currently serves as the Great Lakes District Director on the ITE International Board of Direction. He has a bachelor's degree in civil engineering from the Nirma Institute of Technology (India) and a master's degree in civil engineering from Purdue University. His research at Purdue was focused on developing a revenue forecasting model and assessing the highway financing needs in Indiana.

Steven Davidson, P.E. is an executive vice president and partner with American Structurepoint. He has delivered unique transportation engineering projects, including major urban interstates, new corridor freeways, design-build, and P3 projects throughout North America. Steve has completed legislative reviews for new P3 legislation for Ohio, Kentucky, Indiana, and Missouri and has provided feedback on latest industry trends in P3. He is active in several major industry groups including the American Road and Transportation Builders Association. Steve has a bachelor’s degree in civil engineering from the University of North Dakota.

Chris Murphy, P.E. is a vice president of American Structurepoint with more than 37 years of experience in the realm of public and private highway engineering. He has been instrumental in the growth and development of transportation projects for various communities in Indiana. Under his leadership, the Transportation Group at Structurepoint has developed roadway projects from corridor studies to final contract plans and specifications for these communities. He is an expert in working with government funding grant programs for infrastructure improvements. He manages engineers and technical staff developing construction plans and other services for nearly $50 million of road construction work each year. Chris has a bachelor’s degree in civil engineering from the University of Notre Dame.