

FUNDING CROSSROADS

Time for a New Transportation Path

By Rebecca Patrick

Highways and bridges are easily taken for granted. They only come to mind for most Hoosiers when something goes wrong: A car hits a large pothole or there is an inconvenient road closure. But if one looks around, the inevitable aging of our infrastructure system is happening. There is no money left from the nearly \$4 billion Major Moves transportation funding plan of a decade ago (which importantly accelerated the timeline of various projects) and new federal money falls far short of meeting needs.

The matter has risen to the top for 2016 and garnered the attention of the Governor and legislative leaders. But there have been select interested parties who have beaten the drum at the Statehouse that transportation infrastructure should be a priority. Several of them came together in mid-November, on the eve of Organization Day, to provide their perspective:

- Cameron Carter, vice president of economic development policy and federal relations at the Indiana Chamber of Commerce; ccarter@indianachamber.com
- Laurie Maudlin, principal at Appian, a transportation consulting and government affairs firm; lmaudlin@appianadvisors.com
- Rep. Ed Soliday (R-Valparaiso), chair of the House Roads and Transportation Committee; h4@iga.in.gov
- Sen. Carlin Yoder (R-Middlebury), chair of the Senate Homeland Security and Transportation Committee; s12@ig.in.gov

Million Dollar Mechanism

A pricy tool delivered by the Indiana Department of Transportation (INDOT) in late 2015 looks at long-term consequences for transportation funding options.

According to Soliday, it is rooted in “very empirical methodology” that is designed to ascertain if we do X, then what is the effect.

He says legislators and others were supposed to have access to the tool, but INDOT has essentially taken a proprietary view as of this writing; that was not the intention of the law which created the two-year study and produced this tool.

“We are the only state I know of who has it. But if we are going to get the full benefit out of an almost million-dollar tool, we all have to be working from the same fact base and tool.”

Teetering on the edge

The group is in agreement that we are not yet in full-fledged crisis mode – but we also are not that far off and action needs to be taken now to avoid one.

“Definitely a lot of work needs to be done. I think we’ve seen over the last year or so the decline of the roads at current funding levels,” Maudlin states. “We see certain examples just on local roads that we drive going to work each day – just the maintenance issues that are (putting) pressure.”

Yoder, who subsequently announced he’s not running for re-election, is blunt with how we got in this mess.

“Frankly, the Legislature cruised too long on this situation and kicked the can down the road. And it’s costing the state insane amounts of money because we didn’t – back when we should have – take those important steps to maintain our roads.

“If we had nipped this in the bud almost immediately, we wouldn’t be in the financial hole that we’re in. And every day we wait, it just gets more expensive.”

Soliday bristles a little at any talk of crisis. “We began six years ago to define the problem ... we’ve been very methodical about it.

“We spent quite a bit of money – nearly \$1 million – on a (predictive) tool (funded through legislation), and there seems to be quite a bit of discussion at the moment about who owns that tool (see sidebar). But the proposals I’ve seen totally ignore the tool altogether.”

Strategic thinking needs to rule the day, Carter says. “We need a plan that is not geared to a couple of years or a couple of election cycles, but a couple of decades at the very least. You have an aging infrastructure whose useful life – because it was built pretty much around the buildout of the interstate system a half century ago – is coming to an end.”

Reaction to recent plans

The good news is there are proposals from Gov. Pence and legislative leaders, but the sense from this discussion is not to look to those suggestions for all the answers.

With the Governor’s \$1 billion effort, Soliday hones in on two things that give him pause.

“It’s borrowing money on 20-year bonds to pay for things that don’t last as long as the debt; asphalt only lasts 12 to 15 years. We already told the schools they couldn’t do that. So how we work through that and where that fits is difficult.

“And it’s a four-year plan. If you look at the graphs, it basically falls off the cliff after four years. At the end of that period, the problem becomes even more difficult because those increased CAFE (Corporate Average Fuel Economy) standards start to kick in,” he emphasizes.

“It’s a good start, but to Cam’s point, I wouldn’t classify it as strategic nor is it data driven. It was: We need to do something, so

let's do something.”

Meanwhile, Yoder believes Republican and Democrat plans “ignore the elephant in the room that is long-term stability that involves making some tough decisions on taxes and what we're going to do with that.

“Both plans are a bit of a Band-Aid approach – something I'm not necessarily against as long as we have a long-term way of approaching it as well as part of the overall plan.”

Maudlin applauds the Governor's focus on preservation. “With Major Moves, we had years of dealing with the capital projects, the added-capacity projects that have been in the making for a long time. But we left a preservation gap in the meantime.”

Regarding the Democrats' proposal, she appreciates the attention to the “sales tax on fuel and it being a true user fee, like the gas tax.”

Yoder and Maudlin, however, express concern that the Democrats' plan simply shuffles money around via the state's general fund and surplus.

“It doesn't solve any problems. It fills one hole and leaves another hole. It looks good and it's a great soundbite, but it's not a solution,” Yoder remarks.

Soliday also questions the domino effect of such a funding method. “I don't see the strategy of going down another path where we don't have controls to make sure that money (goes to where it's desired) ... and



“If we don't think anew and have some political courage to address the problem now before it becomes a crisis, then we're going to have more problems, pardon the pun, down the road.”

– Cameron Carter

that's the problem with (virtually) all road funding. As soon as a little bit of it is available, it gets diverted.”

That needs to stop, Maudlin asserts. “There needs to be a truth in funding for the driver to know that when they go to the pump, or however they get charged for their road use fee, that that's where it's going.”

Bottom line, Soliday surmises: “Our problem is extremely complex and too many suggestions don't take into account all the moving targets.”

Other fees and taxes

The lowest-hanging fruit is adopting a user fee for alternative-fuel vehicles. The rub: It's not very much money at this point in time.

For the prior two legislative sessions, Yoder has carried a bill to institute this fee; he senses the tide has turned. “Some of the very people I fought with last year are now saying, ‘Hey we need an alternative fuel tax.’”

Carter interjects that momentum from the general public is behind the change of heart.

The panel makes it clear that this fee doesn't solve the problem, but it's a step in the right direction and needs to happen on principle – not to mention that more of these vehicles will be entering the marketplace.

Yoder adds this fee opens the door for future discussion of how we fund the roads, “which is really why I pushed for it, beyond the fairness factor.”

The aforementioned momentum has gathered so much steam at this point, Carter offers, that the Indiana Motor Truck Association has signaled support for higher taxes and understands that it's a pay now or pay later proposition.

“They will pay now in increased diesel excise fuel taxes, or they will pay later when their trucks snap an axle and the fruit rots on the truck because it didn't get somewhere.”

And it's about time the truckers pay up, Maudlin notes. “They haven't had a tax increase since 1988.”

One possible reason truckers are more accepting is diesel truck engines are starting to have the capability to switch from diesel to cruise to natural gas, Soliday shares. “That's a scary, immediate threat to revenue. It's great for them and I'm all for it, except how do we manage that (and capture revenue from it).”

Approximately 20 states have passed gasoline tax increases in the last couple of



“After Major Moves, it was like, ‘Okay, that was great. We didn't have to raise taxes. Is there something like that we can do again?’ And there's just nothing out there like that.”

– Laurie Maudlin

years. Soliday cautions if Indiana goes that route to not get too greedy. “We raise it too high and they start refueling in Ohio. You want to be real careful.

“Representative (Tim) Brown (chairman of the House Ways and Means Committee) has expressed to me his concern – what if we index (link fuel taxes to gasoline prices or some other indicator) and the states around us don't; we quickly price ourselves above them and we affect that truck stop market.

“So some degree of thought needs to go into that. ... I want commerce to happen, but I want to make sure there's a road for it to happen on,” he concludes.

At the end of the day, there is no “magic solution” for funding, Maudlin explains. “And I think a lot of people were looking for that for a long time. What it comes down to is a list of five or six fees or taxes. It could be a gas tax. It could be indexing (to inflation). It could be sales tax. It could be a registration fee. But no matter what it is, we need to build in an indexing factor, even on registration.”

The two legislators believe the fairest model involves a fee or tax based on mileage, distance and vehicle weight. But both acknowledge that's not feasible amid the current climate.

But we've got to strive toward that, Carter stresses. “We'd like to get a sustainable model where everyone pays their fair share. And that framework should drive the discussion.”

For whom the interstate tolls?

Part of everyone doing their part could mean converting two of Indiana's most heavily traveled interstates into toll roads, Soliday suggests.

“Two of our highest costs in the state are maintaining I-65 and I-70; I-70 is mush beneath the surface and it's 40-plus years old.

Concrete of that generation lasts about 30 years,” he begins.

“If we would toll I-65 and I-70 at the same rate we’re tolling the toll roads, it would generate about \$365 million a year. And it would allow us to (expand to) six lanes border to border, and free up enough to maintain the rest. And you can use it for roads that connect to those roads.”

Soliday further contends it’s irresponsible to not look at something that potentially would be that large of a revenue stream. “I think you may see something (this session) that says we have to study this. I keep track on my drive down I-65 (to Indianapolis): It’s more than half (of vehicles) that are either out-of-state cars or trucking.”

The condition of I-65 and I-70 “might be that education point for people to really understand what they’re paying for,” Maudlin adds.

But Yoder says the opposition to tolling those interstates would be huge and thinks it’s “suicide” for legislators.

“When you start going down that road, politicians just can’t help themselves. They just keep jacking up prices. And you just keep raising prices to get that revenue, which is what Illinois appears to be doing.”

Step it up locally

Another factor at play is local government. Soliday and Yoder both believe they need the proper tools at their disposal.

“Then they can either hang themselves with those or make it work,” Yoder declares. “They are accountable to their electorate just as we are, so I have no problem with them making decisions and being able to make the decisions on how to raise that funding.

“But they also need to utilize what they’ve been given. And far too many of them are too hesitant to do that for political reasons, which I understand. But then don’t come crying to us to raise money for them.”

Soliday is focused on “some type of system that folks could apply for grants. Everyone’s heard me talk about that – a



“We have a growing debt. If we depreciated roads the way a business is required to depreciate its assets, we would have a significant hole.”

– Rep. Ed Soliday

forced asset plan,” he describes.

“Right now the issue is basic roads and bridges, so I would say the matching (grant) would need to be a road or bridge project, if we are able to come up with something people could live with.”

A wheel tax is another possibility often raised, but Soliday points out the disparity in

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“Not only do we at the legislative level have to make some tough decisions, those at the local level do as well. And we need to step up and be big boys in this discussion.”

– Sen. Carlin Yoder

vehicle population and general population by county. He also mentions that some of these same counties have also been hit with jail rebuild costs and other things – so how they pay for maintaining roads is crucial. “I mean we’ve got counties that have been grinding

roads into gravel for several years.

“But another thing we could do is raise the amount that locals could raise in their wheel tax. I am not inclined to the Democrat proposal of just giving them 47 cents on the dollar of everything we raise. Because like I said, it winds up in everything but roads and bridges.”

Predictions and parting shots

Yoder wants Hoosiers to know that “we are serious about transportation funding at the state level, and I’m hopeful that we have enough people in the Legislature to make tough decisions to fix it and to fix it in a long-term way going forward. But that’s not going to happen in 2016. It’s going to happen in 2016 and mostly 2017.”

He attributes that in large part to the mentality of it not being a budget cycle and because it’s an election year.

“Who is going to want to vote for any (tax) increase in any form ... so I think we will talk a big game, but at the end of the day I don’t think we’re going to get a whole lot done.”

While Soliday doesn’t see “any way we get everything done that we need to do in one year,” he’s somewhat more hopeful about the progress for the new session.

“I don’t think we want Hoosiers to feel

like they’re being nibbled to death by a duck. ... You can tell from the polling that the public wants something done with roads. ... But I think for anything to happen there’s going to be an education process. It’s real hard to predict what’s going to happen.”

Separately, he contends that to “stop the decline – right around the \$300 million of additional money needed this year – is pretty easy to get to from a number of pathways.”

Adds Carter, “There is a growing recognition that this is a problem and the business community at large understands that and is willing to pay its fair share and make strategic investments.”

He also predicts that citizen engagement on this policy will be key. “Politicians generally don’t do anything until they have to. So you need to make them feel the political pain.”

Maudlin closes with something for all to think about.

“The average Hoosier spends just over \$2 a week in state gas taxes to maintain their roads. It is their responsibility as well to make sure that this generational debt does not get passed on. Each Hoosier needs to be aware of how little they are paying now, how much they should be paying and what it takes to make this state run.”



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