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FISCAL IMPACT STATEMENT

LS 7461

BILL NUMBER: HB 1636

NOTE PREPARED: Jan 10, 2023

BILL AMENDED:

SUBJECT: Indianapolis Infrastructure.

FIRST AUTHOR: Rep. Behning

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Fuel Taxes: This bill provides that the amount of the gasoline excise tax and special fuel tax revenue that is derived from the annual 1% inflationary increase during the state budget biennium shall be distributed to recipients under the motor fuel tax fund of the Motor Vehicle Highway Account based on the vehicle miles traveled in the unit compared to vehicle miles traveled in the state, but not including interstate vehicle miles traveled.

Crossroads 2000 Fund: The bill appropriates money from the state General Fund to the Indiana Department of Transportation (INDOT) in an amount necessary to repay all outstanding debt obligations as of June 30, 2023, that are financed with money in the Crossroads 2000 Fund. It also provides that, beginning July 1, 2023, money in the Crossroads 2000 Fund must be used for projects only in urban areas, as defined by the United States Census Bureau.

Local Road Funding District: The bill authorizes Marion County to establish a local road funding district (district) to capture 20% of the incremental local income tax (LIT) revenue of the county (not including LIT revenue obligated for debt service). It requires the Marion County treasurer to establish a Marion County roads and bridges fund (fund) if a district is established. It also provides that the incremental LIT revenue captured in the district shall be deposited in the fund and used for the preservation and reconstruction of roads and bridges of thoroughfares in Marion County that cross into an adjacent county.

Professional Sports Development Area: The bill prohibits any additional funding for a professional soccer stadium project until and unless certain conditions are met.

Local Road and Bridge Matching Grants: The bill amends the maximum grant amount from the Local Road and Bridge Matching Grant Fund based on annual vehicle miles traveled in the local unit.

Transportation Infrastructure Improvement Fees: The bill provides that, if the city-county council in Marion County adopts a maximum county vehicle excise tax or a maximum county wheel tax, then the transportation infrastructure improvement fees that are attributable to motor vehicles registered in Marion County shall be transferred to the Marion County treasurer for deposit in a separate account to be used for the preservation and reconstruction of roadways in Marion County.

Roadways: The bill requires INDOT to reacquire certain portions of roadways in Marion County that were previously designated as a state highway for administration in the state highway system, to occur before January 1, 2030.

Motor Vehicle Highway Account (MVHA) Distribution: The bill provides that, for purposes of determining the right of the consolidated city of Indianapolis to receive a distribution of money from the MVHA based on population, the population of all the territory of the consolidated city is considered its population.

Mass Transit: The bill specifies that the board of directors of an urban mass transportation system may incorporate services of a "transportation network company" or "TNC" that connects riders to individuals for prearranged rides through a digital network exchange as a part of its urban mass transportation system within the taxing district of the corporation.

Appropriation: The bill makes an appropriation.

Effective Date: Upon passage; July 1, 2023; January 1, 2024.

Explanation of State Expenditures: *Crossroads 2000 Fund:* The bill would pay off outstanding debt related to the Crossroads 2000 Fund before August 2023 from the General Fund. The IFA reports a total of \$523.3 M in principal and interest are tied to both the Crossroads 2000 Fund and the State Highway Road Construction Improvement Fund (SHRCIF). This \$523.3 M amount could be necessary to pay off principal and interest on these bonds as (1) debt obligation tied to the Crossroads 2000 Fund and the SHRCIF cannot be separated and (2) specified by call provisions attached to the bonds. Additionally, the IFA reports that early payment of these bonds could incur penalties that could negate interest savings. [An information request with the IFA is currently pending. As this information is provided, this analysis will be updated.]

Beginning in FY 2024, amounts received by the Crossroads 2000 Fund would be used for infrastructure projects in urban areas. The Crossroads 2000 Fund receives approximately \$40 M in revenue annually from transaction fees collected by the BMV and the SHRCIF receives approximately \$70 M in annual revenue from diversions of the gasoline excise tax.

Indiana Department of Transportation (INDOT): The bill could increase INDOT's workload and expenditures from the State Highway Fund to track VMT for purposes of making awards from the Local Road and Bridge Matching Grant Fund and for distributions to local units of government from fuel tax revenue collections. INDOT reports calculating VMT would require a significant investment for the creation of a database to track, certify, and host the data.

The bill would also transfer sections of former state highways from Indianapolis back to INDOT. As a result, State Highway Fund expenditures for maintenance and improvements could increase. [An information

request with INDOT is currently pending. As this information is provided, this analysis will be updated.]

Department of State Revenue (DOR): The bill would increase the DOR’s workload in FY 2026 to calculate the indexing formula for the gasoline and special fuel excise tax rates. Under current law, the DOR is required to calculate the fuel tax indexing formula through FY 2025.

The creation of a local road funding district could increase the administrative workload for the DOR. The DOR would be required to withhold 20% of the local income tax incremental amount from the county’s certified distribution and distribute it directly to the Marion County treasurer for deposit in the Marion County road and bridges fund.

Explanation of State Revenues: *Summary* - The bill is estimated to have the following impact on state revenues.

Bill Provision	Impact to the following state fund		
	State Highway Fund	Motor Carrier Regulation Fund	Local Road & Bridge Matching Grant Fund
Extension of Fuel Tax Indexing Formula	\$31.4 M increase, FY 2026	\$0.35 M increase, FY 2026	--
Changing Fuel Tax Distribution to VMT	Indeterminable impact, FY 2024 & 2025	--	--
Marion County Enacts Maximum Excise/Wheel Tax	--	--	\$0.57 M loss in year succeeding enactment

Additional Information -

Local Road and Bridge Matching Grant Fund: The bill could reduce revenue to the Local Road and Bridge Matching Grant Fund by approximately \$567,000 per year beginning in FY 2024 from amounts collected from the \$15 Transportation Infrastructure Improvement Fee (TIIF) retained by Marion County. Reductions in revenue to the Local Road and Bridge Matching Grant Fund would depend on whether Marion County opts to institute either the maximum county motor vehicle excise tax or the maximum county wheel tax.

Fuel Taxes: Annually, the indexing factor generates approximately \$51 M in additional fuel tax revenue (\$29 M from gasoline excise and \$22 M from special fuel excise tax collections). Extending the sunset of the indexing factors is expected to result in an estimated additional \$51 M in fuel tax revenue during FY 2026. Of this amount, INDOT is expected to receive approximately \$31.4 M in additional revenue during FY 2026.

Currently, approximately 62% of fuel tax revenue is distributed to the State Highway Fund after it passes through the MVHA and the Highway Road and Street Fund. As proposed, 100% of the fuel tax revenue increases in FY 2024 and FY 2025 would be allocated to the state and local units based on VMT, excluding interstate highway. Data concerning VMT in the state is not currently available. After FY 2025, the revenue received from fuel tax increases during FY 2024 and FY 2025 will instead be distributed under the current funding formulae in the Motor Vehicle Highway Account and the Highway Road and Street Account. As a result, the bill would impact net State Highway Fund distributions by an indeterminable amount during FY 2024 through FY 2026.

Additionally, increases in special fuel tax revenue collections would increase revenue distributed to the Motor Carrier Regulation Fund. The estimated additional revenue the Motor Carrier Regulation Fund would receive during FY 2026 is estimated to be approximately \$0.35 M.

Explanation of Local Expenditures: *Local Road and Bridge Matching Grants:* The bill would also increase the workload of local units of government to track vehicle miles traveled for purposes of applying for grants from the Local Road and Bridge Matching Grant Fund.

Roadways: The bill transfers responsibility for previous state highways from Indianapolis to INDOT. As a result, local expenditures for maintenance could decrease.

Local Road Funding District: This provision could increase the administrative workload for various agencies and departments within the city-county government in Marion County. The city-county council would need to adopt an ordinance that authorizes the local road funding district. The Marion County treasurer would need to establish and administer the Marion County roads and bridges fund. The city controller’s office would need to oversee budgeted appropriations that may come from the fund.

Explanation of Local Revenues: *Summary* - The bill is estimated to have the following impact on local revenues.

Bill Provision	Indianapolis/Marion County	Other Urban Metropolitan Areas	Other Rural Areas
Indianapolis Population Change	Increase MVHA Funding by \$8 M/year, CY 2024	Decrease MVHA Funding by \$8 M to all other cities and towns per year, CY 2024	
Extension of Fuel Tax Indexing Formula	\$19.3 M increase, FY 2026		
Changing Fuel Tax Distribution to VMT	Indeterminable impact, FY 2024 & FY 2025		
Marion County Enacts Maximum Excise/Wheel Tax	Increase of either \$9.5 M or \$29.0 M in revenue	Decrease of \$0.57 M in Community Cross Matching Grant Funds	
Changes to Maximum Local Road & Bridge Matching Grant Amounts	Potential increase in state grant revenue		Potential decrease in state grant revenue
Transferring Roads from Indianapolis to INDOT	Decrease in local road funding distributions	Potential increase in local road funding distributions	
Creation of Local Road Funding District	Reallocation of a portion of LIT revenue	--	

Additional Information -

Local Road and Bridge Matching Grants: The bill makes the following changes to the Local Road and Bridge Matching Grant Fund that would impact revenue local units receive from state matching grants: (1)

state matching grant awards will be based on the VMT in the jurisdiction of an applicant and (2) maximum grant awards to local units with high VMT are increased above the current cap. Increases in grant awards made to local units with high VMT could decrease awards made to local units with less VMT. Any impact on local revenue from grant awards would depend on the decision of INDOT administrators on how applications are selected for awards.

Roadways: Transferring portions of roads from Indianapolis to INDOT could decrease MVHA and Local Road and Street Account distributions to Indianapolis. Decreases in road funding distributions would slightly offset increases in distribution Indianapolis is set to receive under other provisions of the bill.

Indianapolis Population Change: This bill is expected to increase local MVHA distributions to Indianapolis by approximately \$8 M per year beginning in CY 2024. Increases in distributions to the city of Indianapolis under the MVHA funding formula would decrease distributions to all other cities and towns that receive local MVHA funds by the same amount.

Fuel Taxes: This bill would also increase local revenue during FY 2026 by extending the fuel tax indexing formula for another year. This extension is expected to increase revenue distributions to all local units by approximately \$19.3 M during FY 2026.

The bill would take revenue received from fuel tax rate increases in FY 2024 and FY 2025 and distribute this revenue based on VMT rather than the funding formulas found in the MVHA and the Highway Road and Street Account. This change is expected to increase revenue distributions to urban areas and decrease distributions to rural areas only from the revenue increase stemming from fuel tax rate increases during that year. After FY 2025, the revenue received from fuel tax increases during FY 2024 and FY 2025 will instead be distributed under the current funding formulae in the Motor Vehicle Highway Account and the Highway Road and Street Account. As a result, the bill would impact net local road funding distributions by an indeterminable amount during FY 2024 through FY 2026.

Marion County Transportation Infrastructure Improvement Fees: The bill would require revenue generated from the \$15 Transportation Infrastructure Improvement Fee (TIIF) to be retained in a separate account for Marion County roads and bridges if the county opts to institute either the maximum county motor vehicle excise tax or maximum wheel tax. Marion County currently collects \$16.7 M in county motor vehicle excise tax but could collect an additional \$28.4 M under the maximum tax rate. Additionally, Marion County currently collects \$1.1 M in county wheel tax but could collect an additional \$8.9 M under the maximum wheel tax rate. Vehicles registered in Marion County pay approximately \$567,000 in TIIF revenue annually.

Local Road Funding District: The bill's provision could result in less local income tax revenue being distributed to the various local units in Marion County following the establishment of the district. Since the bill does not increase the overall LIT expenditure rate capacity for Marion County, which is capped at 2.75%, any certified distribution of LIT revenue for Marion County would first need to factor in the incremental distribution that would be deposited into the Marion County roads and bridges fund.

If the city-county council decides to adopt an ordinance creating a district in CY 2023, the LIT incremental amount would be \$35.1 M. (The certified LIT distribution for Marion County in CY 2022 was approximately \$503.3 M, which would be the base period amount. The certified LIT distribution for Marion County in CY 2023 is approximately \$538.4 M.) Of that incremental amount, 20% (or approximately \$7 M) would need to be transferred to the Marion County treasurer for deposit in the Marion County roads and bridges fund. This incremental revenue being deposited into the Marion County roads and bridges fund is LIT revenue that

would have traditionally been distributed to local units if the district not been established.

Professional Sports Development Area: The bill's provisions would prevent any further appropriation to the Marion County Professional Sports Development Area (PSDA) for a professional soccer stadium project until (1) the city establishes a local road funding district where at least 20% of the proceeds in the district are used for the preservation and reconstruction of roadways in Marion County and (2) the city's department of public works certifies that the pavement conditions rating for all residential and thoroughfare lane miles within the county equal an average rating of 65. For CY 2023, there is a total certified distribution of nearly \$573,000 in local income tax revenue to the Marion County PSDA.

State Agencies Affected: INDOT, DOR.

Local Agencies Affected: All.

Information Sources: Dan Huge, IFA; Andrea Zimmerman, INDOT; Indiana Handbook of Taxes, Revenue, and Appropriations FY 2018 - FY 2022; US Energy Information Administration, Energy Consumption by Section and Source; Indiana Auditor of State distribution factors; IHS Markit data; US Bureau of Labor and Statistics; BMV registration data.

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