

LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT

LS 6725
BILL NUMBER: SB 179

NOTE PREPARED: Jan 26, 2026
BILL AMENDED: Jan 26, 2026

SUBJECT: Indiana Department of Transportation.

FIRST AUTHOR: Sen. Crider
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill allows INDOT to assume the responsibilities and duties of the United States Department of Transportation with respect to certain federal environmental laws. It also provides that INDOT waives its civil immunity and consents to the jurisdiction of the federal courts for responsibilities and duties assumed under certain federal environmental laws.

The bill provides that a contractor who provides construction engineering inspection services for a project to INDOT is not civilly or criminally liable for certain claims made by a third party arising from a motor vehicle accident that occurs within a worksite of the project.

The bill amends provisions regarding the distribution of funds from the Local Road and Bridge Matching Grant Fund and the local matching amount.

The bill also provides that an overweight truck permit issued for a single trip is valid for five days from the date the permit is issued.

The bill provides for the use of the Indiana Plane Coordinate System as a means to describe real property.

Effective Date: Upon passage; July 1, 2026.

Explanation of State Expenditures: Summary - This bill would increase Local Road and Bridge Matching Grant Fund expenditures during FY 2026 to provide an additional \$75 M in matching grants to local units. This increase comes from a portion of the total lane mile distribution local units of government were set to receive at the end of FY 2027.

The bill would also move up total lane mile distributions to local units of government from the end of FY 2027 to the end of FY 2026. An estimated \$65 M in distributions are expected to occur at the end of FY 2026 that would have instead been made at the end of FY 2027.

The bill would also impact INDOT workload to issue additional special vehicle permits as well as update

regulations concerning special vehicle permits. The bill could also potentially impact the workload of the Department of Revenue's Motor Carrier Regulation Division from better guidance and administration of the special vehicle permitting process. To the extent the bill requires additional resources and funds to enforce these provisions, the necessary resources could be provided from increases in permitting fee and violation revenue.

Additional Information -

Local Road and Bridge Matching Grant Fund: The following table shows the current and proposed distributions of revenue from the Local Road and Bridge Matching Grant Fund for FY 2026.

Revenue Distribution, FY 2026	Current	Proposed
<i>Estimated Fund Balance Available for Distribution</i>	\$259.6 M	\$259.6 M
Set Aside for Matching Grants	\$100 M	\$175 M
General Fund and State Highway Road & Construction Improvement Fund	\$20 M	\$20 M
Total Lane Mile Distribution to Eligible Local Units	\$0	\$65 M

The Local Road and Bridge Matching Grant Fund had a free balance of \$107.5 M at the end of FY 2025. This amount would provide the \$100 M set aside for state matching grants during FY 2026, with \$7.5 M carrying over for FY 2026. An estimated \$252.1 M in revenue is anticipated to be deposited in the Local Road and Bridge Matching Grant Fund in FY 2026. Total fund balance is estimated to be \$259.6 M after accounting for the unexpended balance from FY 2025.

For FY 2026, INDOT awarded \$100 M from the Fund during the fall application call, thus exhausting the total amount of grant awards the agency currently has authority to make. The \$75 M increase in state matching grants would come from the available \$259.6 M in the Fund, leaving approximately \$184.6 M in revenue for distributions at the end of FY 2026. After distributions to the General Fund and the State Highway Road and Construction Improvement Fund, an estimated \$65 M is anticipated to be available for the total lane mile distribution at the end of FY 2026 that would have been included in the FY 2027 distribution.

Environmental Impact Studies: Entering into a memorandum of understanding with United States Department of Transportation (USDOT) would require INDOT to create rules to assume the responsibilities and duties of the USDOT with respect to certain federal environmental laws. This workload increase should be done within current resources.

Additionally, assuming responsibility of certain federal environmental laws would remove the federal environmental impact study during a highway project. Currently, the state does the same environmental impact study as the federal government. It would shorten project time by not duplicating environmental impact studies, however the state would assume liability for these studies as currently the federal government is liable for any faults of an environmental impact study.

Explanation of State Revenues: Summary - The bill could significantly increase revenue to the State Highway Fund from special vehicle permit fees and could also increase revenue to the Motor Carrier

Regulation Fund from enforcement actions taken against individuals utilizing expired special vehicle permits. Increases in revenue to each fund are indeterminable.

Additional Information - Clarifying that a special vehicle permit expires five days after issuance would increase the total number of special vehicle permits issued by INDOT, thus increasing revenue to the State Highway Fund. Information is not available concerning utilization of special vehicle permits past five days after issuance, thus the impact on State Highway Fund revenue is indeterminable, but could be significant. In FY 2025, a total of \$34.9 M in revenue was generated from special vehicle permit fees.

Additionally, with a clarification on the maximum duration of a special vehicle permit, the bill could impact violations in the state that are enforceable by the DOR's Motor Carrier Services Division. Increases in enforcement actions would increase revenue to the Motor Carrier Regulation Fund from fines, but any impact on the Fund is indeterminable.

Explanation of Local Expenditures:

Explanation of Local Revenues: Summary - The bill could increase local revenue from (1) an increase in the total state awards from the Local Road and Bridge Matching Grant Fund available to local units of government, (2) moving up the total lane mile distribution from the end of FY 2027 to the end of FY 2026 (\$65 M), and (3) from local enactment of wheel and excise surtax rates to draw down a total lane mile distribution.

Additional Information -

Matching Grant Increase: The bill would increase state revenue available to local units of government by increasing the maximum state awards amount from \$100 M to \$175 M in FY 2026. Any increase in local revenue from state matching grants would depend on INDOT selecting a project for program participation as well as the local unit of government's ability to draw down state funds with the local match requirement. The bill prohibits a current FY 2026 award recipient from receiving another grant from the additional \$75 M allocation in the bill.

(Revised) The bill would also decrease the local match requirement from 50% to 20% for cities and towns with populations between 10,001 and 12,500. This change could decrease local expenditures to draw down state matching grants funds, but would depend on the decision of INDOT in selecting participants as well as total project costs.

Total Lane Mile Distribution: The bill will increase local unit of government revenue by moving up the Fund's total lane mile distribution from the end of FY 2027 to the end of FY 2026. Only local units that have enacted a wheel tax ordinance would be eligible for a total lane mile distribution.

Wheel & Excise Surtax Revenue: The bill provides an incentive for local units of government to enact wheel tax rates by ordinance before the end of FY 2026 in order to receive a distribution of Local Road and Bridge Matching Grant Fund revenue. As a result, local units of government would receive additional revenue from wheel tax and excise surtax rates.

State Agencies Affected: INDOT; Department of Revenue Motor Carrier Regulation Division; State Budget Committee.

Local Agencies Affected: All.

Information Sources: <https://www.in.gov/indot/engineering/environmental-services/environmental-policy/>; Indiana Handbook of Taxes, Revenue, and Appropriations FY 2018 - FY 2025; 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.

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