

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

LS 6725
BILL NUMBER: SB 179

NOTE PREPARED: Feb 23, 2026
BILL AMENDED: Feb 23, 2026

SUBJECT: Indiana Department of Transportation.

FIRST AUTHOR: Sen. Crider
FIRST SPONSOR: Rep. Pressel

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: 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 amends language regarding a local unit's eligibility for (1) a grant from the Local Road and Bridge Matching Grant Fund (Fund) and (2) a distribution from the fund based on the local unit's share of total lane mileage. The bill also provides that INDOT may give preference in awarding grants from the Fund to local units that have adopted an enhanced asset management plan.

The bill also provides limitation for an overweight truck permit that is issued for a single trip.

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

It also amends certain requirements for township capital improvement plans.

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.

Wheel Tax and Surtax: The bill would increase BMV workload to update computer systems to discontinue collecting county surtax and wheel tax for vehicles that are registered within municipalities that have an excise surtax and wheel tax. Increases in workload are expected to be accomplished within existing resource

and funding levels.

Contracting Prohibitions: The bill prohibits INDOT from entering into contracts with progressive design build contractors. The bill's impact on INDOT contracting expenditures is indeterminable, but is expected to be minimal.

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 special vehicle permit expirations 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 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: *Project Earmarking:* The bill prohibits Motor Vehicle Highway Account (MVHA) and Local Road and Street funds from being used for projects that are selected by individual county officials. This could increase local expenditures for certain projects as state funds would not be eligible for use.

Township Capital Improvement Plans: The bill would delay township implementation requirements for capital improvement plans by a year. This change would temporarily decrease local workload.

Indianapolis: The bill increases the local match amount Indianapolis is required to put up to draw down \$50 M in funds from the Local Road and Bridge Matching Grant Fund. Currently, Indianapolis can draw down dollar-for-dollar up to \$50 M from the state based on the local match. For instance, if Indianapolis can only come up with \$35 M for the local match, the city's distribution of state funds is \$35 M.

As proposed, Indianapolis would have to provide an increasing local match from \$50 M to \$100 M through FY 2032 to receive the \$50 M in available funds from the Local Road and Bridge Matching Grant Fund. \$50 M in state funds would only be distributed to Indianapolis if they meet 100% of the local match requirement for that fiscal year. This requirement could increase Indianapolis expenditures to meet the match requirement starting in FY 2028.

Explanation of Local Revenues: (Revised) *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), (3) from local enactment of wheel and excise surtax rates to draw down a total lane mile distribution and (4) increases in total lane mile distribution funds, depending on Indianapolis' ability to meet state fund matching requirements.

Additionally, the bill would impact local units of government

Additional Information -

(Revised) *Wheel Tax and Surtax*: There are 32 municipalities that will have surtax and wheel tax rates in effect on January 1, 2026. Of these municipalities, 16 are located in counties that will have surtax and wheel tax rates in effect beginning January 1, 2026.

Beginning in CY 2027, if a county enacts a surtax or wheel tax, any municipalities with surtax and wheel tax rates in effect would no longer receive distributions of county surtax and wheel tax revenue. Vehicle registrations within these municipalities would be excluded from county tax rates and associated distributions to local units. Additionally, municipalities that do not have surtax and wheel tax rates that are located in counties that enact surtax and wheel tax rates in CY 2027 and after could also lose revenue from county surtax and wheel tax distributions. These reductions are the result of distribution changes in the funding formula. Any revenue impact to municipalities would ultimately depend on the decision of county administrators concerning enacting surtax and wheel tax rates.

Indianapolis: To the extent Indianapolis is not able to meet the local match requirement to draw down \$50 M in Local Road and Bridge Matching Grant Funds, additional revenue will be available for the total lane mile distribution to local units of government.

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.

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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