



**ISSUES OVERVIEW
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Federal highway funds are of critical importance and make up 40 percent of the Indiana Department of Transportation's (INDOT) construction budget. Resulting projects improve mobility, ease congestion, enhance safety and support thousands of Hoosier jobs.

MAKE SAFETEA-LU REAUTHORIZATION A PRIORITY

The Safe, Accountable, Flexible, Efficient Transportation Equity Act - A Legacy for Users (SAFETEA-LU) expired on September 30, 2009. Since that time, Congress has enacted multiple stop-gap measures to extend the federal highway program until December 31, 2010. Funding beyond that date is uncertain. Without a long-term, 6-year reauthorization of the federal highway program, states are hindered from effectively planning, budgeting and executing multi-year construction and maintenance projects. Congress must make surface transportation reauthorization a priority.

PRESERVE AND EXPAND DONOR STATE EQUITY

Indiana is a highway funding donor state. Each year Hoosier motorists contribute more to the federal Highway Trust Fund than we receive back. For more than two decades, Indiana's Congressional delegation has worked to improve Indiana's highway funding rate-of-return. As a result of these efforts, federal law guarantees Indiana (and other donor states) a minimum rate-of-return of 92 percent of the state's share of contributions to the Highway Trust Fund. Any reauthorization bill should preserve and expand Indiana's highway funding rate-of-return.

PRESERVE AND EXPAND HIGHWAY FUNDING TO INDIANA

During Fiscal Year 2010, Indiana will receive approximately \$880 million in federal highway funds. While this is a historic high, inflation is constantly eroding the purchasing power of federal assistance. The need for construction and maintenance is considerable. Thirty-two percent of Indiana's major roads are in poor or mediocre condition. Twenty-two percent of Indiana's bridges are structurally deficient or functionally obsolete. Surface transportation reauthorization should preserve and expand funding for Indiana.

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NO PENALTIES FOR PUBLIC PRIVATE PARTNERSHIPS

In 2006, the State of Indiana entered into the largest public private partnership agreement in the country by leasing the Indiana Toll Road to a private company. Proceeds from this agreement are funding Indiana's "Major Moves" highway investment plan. Public private partnerships are a means of leveraging private sector participation in highway planning, development, operation and financing. They can provide substantial capital to supplement other state and federal resources.

In 2009, legislation was introduced in the U.S. Senate (S. 884 & S. 885) to discourage use of public private partnerships and penalize states who enter into such arrangements. Congress should oppose such penalties. To the contrary, Congress should encourage states to identify creative financing options for highway construction and maintenance.

ADDRESS HIGHWAY TRUST FUND SOLVENCY

The federal highway and transit programs are funded by an 18.4 cents / gallon excise tax on gasoline and a 24.4 cents / gallon tax on diesel fuel. Revenue from these taxes are deposited into the Highway Trust Fund. As a consequence of the recession, higher gasoline prices, and the popularity of fuel efficient automobiles, revenue has dropped. Today, revenue flowing into the Highway Trust Fund is insufficient to maintain federal highway and transit programs at current funding levels. Without action, all states are in danger of experiencing cuts to highway and transit funding.

During the last two years, Congress has had to take action to transfer money from the General Fund to the Highway Trust Fund. These stop-gap measures do not address the long term problem of Highway Trust Fund solvency. Congress must identify new revenue sources to sustain the Highway Trust Fund and maintain surface transportation investment.

STOP DIVERTING HIGHWAY FUNDS TO NON-HIGHWAY USES

Since creation of the federal highway program in the late 1950s, Congress has authorized an increasing number of non-highway uses for Highway Trust Fund revenue. Today, almost 25 percent of Highway Trust Fund expenditures are diverted from road construction and maintenance to other purposes. Such purposes include public transportation, bike trails, and so-called livability initiatives. While these activities might be worthwhile, they should be funded from the General Fund, not the Highway Trust Fund.

CLIMATE CHANGE LEGISLATION - COMMIT FUEL TAXES TO TRANSPORTATION

Draft climate change legislation developed by Senators Kerry (D-MA) and Lieberman (IND-CT) places new fees on gasoline and diesel fuels. Historically, taxes on motor fuels have been directed to the Highway Trust Fund and reserved for road construction and maintenance. The Kerry/Lieberman plan betrays this tradition and diverts more than 75 percent of motor fuel tax revenue to non-highway purposes, leaving the Highway Trust Fund insolvent and diminishing chances of identifying new sources of revenue for the federal highway program.