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FISCAL IMPACT STATEMENT

LS 7332

BILL NUMBER: HB 1729

NOTE PREPARED: Feb 8, 2005

BILL AMENDED: Feb 8, 2005

SUBJECT: Securitization of Federal Transportation Grants.

FIRST AUTHOR: Rep. Espich

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: GENERAL

 X DEDICATED

 X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that the gasoline tax applies to gasoline used or sold in Indiana (current law provides that the tax applies to gasoline used in Indiana).

The bill also authorizes the Transportation Finance Authority (TFA) to issue bonds or notes secured by lease rentals relating to highway improvement projects and anticipated to be paid by the Department of Transportation (INDOT) from federal transportation revenues received in the current federal fiscal year or to be received in a future federal fiscal year. The bill limits the total amount of the lease rentals securing the bonds or notes during any state fiscal year to 50% of the increase in the amount of federal transportation revenues received by the state since the federal fiscal year ending September 30, 2004. It makes conforming changes.

Effective Date: July 1, 2005.

Explanation of State Expenditures: *Grant Anticipation Fund:* The bill establishes the Grant Anticipation Fund to be administered by the Department of Transportation (INDOT) for the purpose of constructing and reconstructing state highways. Money in the Fund does not revert at the end of a state fiscal year.

The Department may use the money in the Fund only to pay (1) the cost of construction or reconstruction of a highway improvement project; (2) the cost of acquisition of all land, rights-of-way, property, etc.; (3) the cost of demolishing or removing buildings, structures, etc.; (4) engineering and legal expenses and the costs of plans; (5) and payment of rentals and performance of other obligations under contracts or leases relating to highway improvement projects securing grant anticipation revenue bonds or notes. A holder of grant anticipation bonds or notes issued under IC 8-14.5-7 may not compel the payment of federal transportation revenues to the INDOT.

The Grant Anticipation Fund shall receive federal transportation revenue apportioned or allocated to Indiana by the U. S. Department of Transportation under 23 U.S.C. or other federal money available that may be used for a project under this program.

The bill allows the Transportation Finance Authority (TFA) to issue grant anticipation revenue bonds. This bond program permits states to pay debt service and other bond-related expenses with future federal-aid highway apportionments. Before the bonds are issued, INDOT must prepare a revenue declaration providing specific information on the amount or percentage of federal transportation revenues received by the state during a state fiscal year to be deposited in the Grant Anticipation Fund and the number of years those deposits shall be made. This declaration is subject to the approval of the Budget Agency and TFA. The bill limits the total amount of the lease rentals securing grant anticipation bonds or notes during any state fiscal year to 50% of any increase in federal funds over the FFY 2004 level of \$734.8 M.

The specific impact will depend upon the number of proposed projects to be financed, the amount of federal transportation revenue available, and market conditions.

Background Information: The table below contains information on the last seven years of Federal Highway Trust Fund (FHTF) apportionments.

Federal Fiscal Year	\$ Amount
FFY 1998	\$530 M
FFY 1999	\$661 M
FFY 2000	\$670 M
FFY 2001	\$735 M
FFY 2002	\$716 M
FFY 2003	\$621 M *
FFY 2004	\$752.2 M
*Congress authorized states to use FHTF balances to flatline spending authority from FFY 2002 to FFY 2003.	

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Transportation Finance Authority; Department of Transportation.

Local Agencies Affected:

Information Sources: Rick Whitney, Deputy Commissioner of INDOT and Chief Financial Officers, 317-232-1472; Linda Dollens, Administrator, Returns Processing Center, DOR, 317-615-2501; Jim Poe, Administrator, Motor Carrier Services Division, DOR, 317-615-7201.

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