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FISCAL IMPACT STATEMENT

LS 7332

BILL NUMBER: HB 1729

NOTE PREPARED: Feb 15, 2005

BILL AMENDED: Feb 14, 2005

SUBJECT: Securitization of Federal Transportation Grants.

FIRST AUTHOR: Rep. Espich

FIRST SPONSOR: Sen. Weatherwax

BILL STATUS: As Passed - 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). It 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 (DOT) 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 authorizes the TFA to issue bonds or notes for local road projects that are secured by lease rentals payable by cities, towns, and counties. The bill provides that when issuing the bonds or notes, the authority is subject to certain rules concerning minority and women's business participation. 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: (Revised) The bill authorizes the TFA to also issue bonds or notes for local road projects that are secured by lease rentals payable by cities, towns, and counties. The bill provides that when issuing the bonds or notes, the Authority is subject to certain rules concerning minority and women's

business participation.

A local unit shall pay lease rentals for leases entered into from revenues from any combination of the following sources:

- (1) Money payable to local units from the Motor Vehicle Highway Account (MVHA).
- (2) Money payable to local units from the Local Road & Street Account (LR&S).
- (3) Revenues from the County Motor Vehicle Excise Surtax.
- (4) Revenues from the County Wheel Tax.
- (5) Federal transportation revenues apportioned or allocated to the state and distributed to the local units by INDOT.
- (6) Any other source of revenues (other than property taxes) that is legally available to the local unit.

Background Information: Over the last five fiscal years, MVHA distributions have averaged approximately \$273.6 M, while LR&S distributions have averaged approximately \$77.0 M. Below is a table which shows MVHA and LR&S distributions to local units over the last five years:

FUND	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
MVHA	\$268,814,615	\$253,104,631	\$268,557,820	\$269,506,515	\$308,144,505
LR&S	\$76,411,911	\$75,844,271	\$76,635,654	\$76,942,627	\$79,321,518
TOTAL	\$345,226,526	\$328,948,902	\$345,193,474	\$346,449,142	\$387,466,023

Over the last five calendar years, revenue from the Wheel Tax has averaged approximately \$2.82 M among the counties which have imposed the tax, while revenue from the Surtax has averaged approximately \$27.7 M among the counties which have imposed the tax.

SOURCE	CY 1999	CY 2000	CY 2001	CY 2002	CY 2003
Wheel Tax	\$2,819,889	\$2,722,168	\$2,692,602	\$2,760,140	\$3,095,694
Surtax	\$25,956,510	\$26,437,274	\$27,319,739	\$28,273,527	\$30,869,902
TOTAL	\$28,776,399	\$29,159,442	\$30,012,341	\$31,033,667	\$33,965,596

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

Local Agencies Affected: Local transportation and highway agencies in whose localities these projects might occur; Local units which have adopted the County Excise Surtax and Wheel Tax.

Information Sources: Transportation Finance Authority; *Handbook of Taxes, Revenues, and Appropriations*.

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,

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