

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6609**

**BILL NUMBER:** HB 1141

**NOTE PREPARED:** Jan 4, 2013

**BILL AMENDED:**

**SUBJECT:** Transportation Funding.

**FIRST AUTHOR:** Rep. Soliday

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill provides that 50% of the Sales Tax collected on gasoline is to be allocated, distributed, and used in the same manner as a portion of the Gasoline Tax that is deposited into the Special Distribution Account (distributions out of this account are commonly referred to as Accelerated Distributions). These distributions are as follows:

- (1) 30% to each county, city, and town eligible to receive a distribution from the Local Road and Street Account (LRS) - Accelerated #1;
- (2) 30% to each county, city, and town eligible to receive a distribution from the Motor Vehicle Highway Account (MVH) - Accelerated #2; and
- (3) 40% to the Indiana Department of Transportation (INDOT).

The bill specifies that the money may be used only for purposes for which money distributed from the MVH may be used. It provides for quarterly determinations of the amount to be distributed by the Department of State Revenue (DOR) and for the Auditor of State to make the distributions in the immediately following month. It also specifies that the first distribution will be made in October 2013, based on the July 2013 through September 2013 calendar quarter.

**Effective Date:** July 1, 2013.

**Summary of NET State Impact:** The bill will decrease revenues to the state General Fund while increasing revenues to INDOT. The net loss to the state from the bill is \$171.6 M.

**Explanation of State Expenditures:** *Department of State Revenue (DOR)* - This bill could increase the DOR's administrative costs. The DOR would be required to determine the amount of Sales Tax revenue on gasoline sales that would be distributed to INDOT and local units and notify the Auditor of State on a quarterly basis.

*Auditor of State* - This bill could also increase administrative costs of the Auditor of State, which would be required to determine suballocations to each county and the cities and towns within each county. The Auditor of State would distribute these amounts quarterly.

**Explanation of State Revenues:** *Summary:* The bill would reallocate a portion of Sales Tax revenue from sales of gasoline from the state General Fund to INDOT, counties, cities, and towns. The estimated average revenue loss to the state General Fund is estimated to be \$286 M in each of FY 2014 and FY 2015.

Under current statute, Sales Tax is distributed to the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%). In FY 2012, total Sales Tax revenue was about \$6.63 B.

*INDOT* - Revenue to INDOT is estimated to increase by a total of \$114.4 M in each of FY 2014 and FY 2015.

**Background Information Transportation Funding: Special Distribution Account and Accelerated Distribution Formulas:** Accelerated #1 is the first of two distribution formulas from the Special Distribution Account. The second formula is known as Accelerated #2. The Special Distribution Account receives the first \$25 M collected from 14 cents of the Gasoline Tax as well as the first \$25 M collected from the Special Fuel Tax. The \$50 M total is split evenly between Accelerated #1 and Accelerated #2. Sixty percent of Accelerated #1 is distributed according to the Local Road and Street (LRS) distribution formula to local units, and 60% of Accelerated #2 is distributed according to the MVH distribution formula to local units.

**Motor Vehicle Highway Account and Distribution:** The MVH is funded through a combination of revenue sources including portions of the Gasoline Tax, Special Fuel Tax, Motor Carrier Fuel Use Tax/Surtax, Vehicle Registration, Title Fees, and other smaller sources of revenue. Of the total available for distribution, 53% goes to the State Highway Fund (INDOT), and 47% to local units. The local MVH distribution method is different for counties and cities and towns. For cities and towns, it is entirely population-based. For counties, 5% of the amount available is distributed equally to all counties, 30% is based on county vehicle registration, and 65% is mileage-based. Local MVH distributions are used by counties, cities, and towns for the expenses of highway and street departments, construction, maintenance, and reconstruction cost of roads, and equipment purchases. Cities and towns may use a portion of their distribution for public safety expenditures.

**Highway Road and Street Fund:** The Highway Road and Street Fund receives revenue from a portion of the Gasoline Tax, Special Fuel Tax, and the 1969 increase in vehicle registration and title fees. The Highway Road and Street Fund disburses 55% to the State Highway Fund (INDOT) and 45% to the Local Road and Street Account.

**Local Road and Street Account and Distribution:** The Local Road and Street Account is made up of 45% of the revenues collected out of the Highway Road and Street Fund. The LRS distribution method is a two-step process, the first step using total passenger car registrations to determine the county allocation and the second step using a variety of factors to determine the county/city and town suballocation. The suballocation depends

on county population size as well as county road and street mileage.

**Summary of NET Local Impact:** It is estimated that the bill will increase funding annually to counties and cities and towns by \$171.6 M.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill may increase annual revenues to counties by \$106.7 M and to cities and towns by \$64.9 M.

**State Agencies Affected:** INDOT, DOR, Auditor of State.

**Local Agencies Affected:** Counties, cities, towns.

**Information Sources:** DOR Sales Tax return data; Global Insight forecast data; Revenue Technical Committee Forecast, December 17, 2012, *Indiana Handbook of Taxes, Revenues, and Appropriations FY 2012*; Dan Bastin, Indiana Auditor of State Office, [dbastin@auditor.in.gov](mailto:dbastin@auditor.in.gov); Bill Weinmann, Indiana Department of Transportation, [jweinmann@indot.in.gov](mailto:jweinmann@indot.in.gov).

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