

The I-69 Extension from Indianapolis to Evansville

The Department of Transportation (INDOT) has centered the I-69 debate on geographic and demographic issues such as route selection. INDOT has led the public to believe the issue is not whether or not the road will be built, but which route should be chosen. INDOT has created an illusion that when the final alignment is chosen, the project can be funded and built in a reasonable time frame. However, the high cost of the project combined with expected legal action by opponents raises serious questions as to whether major portions of the road will ever be built. By ignoring the cost unfair expectations have been created that will present fiscal and public relations challenges for the next governor. This administration is determining where to build the road and essentially leaving it the next administration to figure out how to pay for it. The public needs to be better informed so that expectations can be lowered to a more realistic level.

According to INDOT the project cost is now estimated at \$1.7 billion and would take 8 to 14 years to complete. However, in order to gain public acceptance it is common to add interchanges and other features to the project that drive up the final cost. So, at \$1.7 billion the cost is probably understated. Accepting the \$1.7 billion estimate one can calculate it would require about \$160 million per year to complete the project over 14 years with 3% annual inflation. It is difficult to see how INDOT could afford such cost.

This year INDOT will spend about \$700 million in combined state and federal funds for road and bridge construction. INDOT estimates it needs more than \$500 million per year for routine rehabilitation just to preserve the existing highway system. This leaves about \$200 million for expansion projects like I-69. INDOT has as much as \$200 million for expansion projects due to the 2002 bonding program. The General Assembly raised the gas tax by 3¢ dedicating 1¢ to INDOT, 1¢ to local roads and 1¢ to state bonding. INDOT will “use up” this bonding authority in about three years (on projects other than I-69). So, by 2006 INDOT’s annual construction program will drop back down to the \$500 million level unless the General Assembly raises taxes and/or user fees and authorizes additional borrowing.

For illustration assume the General Assembly will continue to increase revenue and authorize additional bonding every three to four years so INDOT will continue to have \$150 to \$200 million per year to spend for expansion projects like I-69. (This also assumes the governor and legislators representing northern districts remain supportive.) To fund I-69 INDOT would have to pledge all of its “expansion” funds - 21% to 25% of its entire construction budget - to I-69 every year for 14 years to complete the project.

Even if INDOT had no additional big expansion projects under development it is unlikely that much money could be dedicated to a single project for such a prolonged period. There would be no expansion projects (added travel lanes, new road construction, major improvements etc.) funded anywhere else in the state for fourteen years. In fact,

INDOT does have several big expansion projects under development including the I-70/Six Points interchange at \$160 million, added travel lanes on the Borman Expressway at \$242 million, I-69 from Henderson Kentucky to Evansville at \$800 million, two new Ohio River bridges in Clark County at \$400 million, Hoosier Heartland Lafayette to Logansport at \$220 million and upgrade of US 31 from South Bend to Indianapolis at an unknown cost. Just these six projects could easily total \$3 billion over the next ten to 15 years.

INDOT has said 80% of the I-69 cost will come from federal funds. (INDOT also told the General Assembly it will hire “public financial experts” to “develop a long term financial strategy.”) However, there is no federal categorical funding for such projects. Even if a new federal category were created at some future date (which now appears unlikely) that provided funding for I-69, Indiana would have to compete with states like Texas for the funds. INDOT could probably qualify much of its existing federal road funding for I-69. However, that would not increase total federal road funding for Indiana. That would only draw federal funds away from other projects.

The best prospect for increased federal funding for I-69 is some type of earmark or special designation in the federal budget. The congressional delegation has successfully secured earmarks for highway projects in the past and will likely continue to do so. However, earmarks are typically limited to \$10 to \$20 million or less per year. It is unlikely federal funds in excess of Indiana’s regular apportionment will be available to build I-69.

There has been discussion that I-69 could be built as a toll road. However, several studies have demonstrated the project is not toll feasible. One study concluded tolls would probably not cover the additional construction cost that would be required to build I-69 as toll road. (Toll roads are more expensive to build and operate than free roads.) Even if tolls were financially feasible there would be a public relations problem convincing southwestern Indiana residents they were going to have to pay tolls for a road they have been led to believe can be built with federal funds.

If the project were built on a pay-as-you-go basis with state funds, it would require the equivalent of a 5¢ gas tax increase dedicated entirely to I-69 to complete the project in 14 years. There are no other state funds available for this project.

There are other practical problems associated with I-69 construction including the timeframe for completion. The above numbers assume a fourteen year schedule. It may not be reasonable for government to create uncertainty for businesses and homeowners for such a long construction period. If I own a home or business in the proposed right of way and decide to sell, what impact does the project have on my property value? If I want to locate a business on the south side of Indianapolis, how do I evaluate the investment? Will the governor or president change the route ten years from now? Will I have to endure years of slow business because customers avoid major construction sites? Will INDOT change the access points to I-69 or to my business? To a degree these uncertainties exist with all highway projects. But, generally, impacts are more limited and easier to predict than they would be for construction of I-69 over fourteen years.

Some draw a parallel to the original interstate construction during the 1960's and 1970's. However, there are major differences. When the interstates were built such construction was a national priority and there was federal categorical funding. There was less concern for protection of the environment and adverse impacts on neighborhoods. Individual citizens were not empowered to litigate to the extent they are now. Some pieces of the I-69 project could be held in limbo for years waiting court action or funding.

In Indiana decisions about road funding tend to be isolated from other funding decisions for things like education and public health. However, I-69 is arguably the biggest fiscal issue facing the state at this time. Because of the extreme cost, this project should be evaluated in the context of funding for other worthy programs. Some clearly favor alternate C-3, the "preferred" route, over the I-70/US41 alternative. But the \$800 million additional cost for C-3 is significant. The question is not, "Is the state better off with I-70/US 41 at \$900 million or Alternative C-3 at \$1.7 billion." The appropriate question is, "If the state can afford new spending totaling \$1.7 billion, are we better off spending all \$1.7 billion on C-3 or would the state be better off spending \$900 million on the I-70/US41 alternative (even if it is not as desirable) and spending the remaining \$800 million on economic development or education?" Which scenario most benefits the state? Ultimately, there are limits on the amount of funds government can take from taxpayers. It is a mistake to assume that dollars spent on this project will have no impact on availability of dollars for other important priorities. Taxpayers, including those in Evansville, will lose state education and health care dollars if the state chooses to concentrate its resources and spend \$1.7 billion for I-69 or any new highway project.

If I-69 is to be built, the next governor will have to make the project one of the state's highest priorities. He will have to maintain a continuing commitment throughout his term and convince the General Assembly and Hoosiers taxpayers to pay for the project.