

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6533
BILL NUMBER: HB 1385

NOTE PREPARED: Dec 17, 2014
BILL AMENDED:

SUBJECT: Industrial Rail Service Fund.

FIRST AUTHOR: Rep. Goodin
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill increases the amount of state gross retail and use taxes deposited into the Industrial Rail Service Fund (IRSF) from 0.029% to 0.099% of the taxes collected each year. The bill authorizes the Indiana Department of Transportation (INDOT) to make grants from the IRSF to reimburse a Class II or a Class III railroad for public safety expenditures. It provides that a grant from the IRSF to a Class II or a Class III railroad for the rehabilitation of railroad infrastructure or railroad construction may not exceed 20% of the gross sales and use tax receipts deposited in the IRSF in the previous state fiscal year.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *Indiana Department of Transportation* - The bill could increase INDOT's administrative costs by requiring it to adopt standards for grant applications and to approve or reject grant applications from railroads for public safety expenditures. The bill's requirements are within INDOT's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues: *Summary* - The bill changes the distribution of sales tax revenue, increasing the amount distributed to the IRSF and reducing the amount distributed to the state General Fund. The estimated increase in distributions to the IRSF (and decrease in General Fund distributions) is \$4.9 M in FY 2016 and \$5.6 M in FY 2017. The following tables show the current and proposed distributions of estimated sales tax revenue.

Fund	Current Distribution	Estimated FY 2016 Revenue (millions)	Proposed Distribution	Estimated FY 2016 Revenue (millions)*	Difference (millions)
General Fund	98.848%	\$7,551.4	98.778%	\$7,546.1	(\$4.9)
Motor Vehicle Highway Acct	1.000%	\$76.4	1.000%	\$76.4	\$0.0
Commuter Rail Service Fund	0.123%	\$9.4	0.123%	\$9.4	\$0.0
Industrial Rail Service Fund	0.029%	\$2.2	0.099%	\$7.6	\$4.9
Total	100.000%	\$7,639.4	100.000%	\$7,639.4	\$0.0

*The proposed distribution would take effect beginning in August 2015.

Fund	Current Distribution	Estimated FY 2017 Revenue (millions)	Proposed Distribution	Estimated FY 2017 Revenue (millions)	Difference (millions)
General Fund	98.848%	\$7,904.6	98.778%	\$7,899.0	(\$5.6)
Motor Vehicle Highway Acct	1.000%	\$80.0	1.000%	\$80.0	\$0.0
Commuter Rail Service Fund	0.123%	\$9.8	0.123%	\$9.8	\$0.0
Industrial Rail Service Fund	0.029%	\$2.3	0.099%	\$7.9	\$5.6
Total	100.000%	\$7,996.7	100.000%	\$7,996.7	\$0.0

This bill allows INDOT to make grants to Class II and Class III railroads for public safety expenditures. Such expenditures could include expenditures for the construction, maintenance, or repair of a railroad crossing or for the installation or maintenance of safety equipment at a railroad crossing. Public safety expenditure grants may not exceed 20% of sales tax revenue deposited in the IRSF the previous year.

Additional Information - The IRSF is primarily used for capital improvement grants to Class II and Class III railroads. Under current law, sales tax revenue distributed to the IRSF may be used for the following purposes:

1. Provide loans to railroads that will be used to purchase or rehabilitate real or personal property that will be used by the railroad in providing railroad transportation service.
2. Pay operating expenses of INDOT, subject to appropriations by the General Assembly.
3. Provide \$50,000 annually to INDOT for rail planning activities.
4. Provide money for the High Speed Rail Development Fund under IC 8-23-25.
5. Provide grants to a railroad owned or operated by a port authority established under IC 8-10-5.
6. Make grants to a Class II or Class III railroad for the rehabilitation of railroad infrastructure or railroad construction.

Class II railroads are typically referred to as regional railroads and in 2013 had annual revenue of between \$37.4 M and \$46.7 M.

Class III railroads are called short lines and include carriers (with 2013 revenues of less than \$37.4 M) as well as all switching and terminal railroads.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: INDOT; Department of State Revenue.

Local Agencies Affected:

Information Sources: December 2014 State Revenue Forecast.

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