

There are a number of highway user and nonuser taxes and combinations thereof in use. The objective of a state highway agency in structuring its taxes should be to follow good highway-finance principles. Also, the objectives should be the same as those contained in a highway cost-allocation study. For example, the objectives of the 1978-1981 National Highway Cost-Allocation Study were to develop equitable and efficient highway user charges. "Equitable" means the fair allocation of costs among vehicle classes where the revenue obtained should correspond to costs caused or occasioned by such vehicle classes. Economic efficient charges are achieved when the price of a trip equals the extra (marginal) costs caused by that trip, but this is very difficult to put into practice. Economic efficiency, however, underlies the whole concept of using highway user charges to finance highway improvements and operations. Over the long run, motor fuel taxes for all vehicles and weight and mileage taxes for heavy vehicles appear to best correspond to use and to long-run marginal costs.

For example, problems develop when part of the highway user charges rises with inflation and part does not. As pointed out previously, there are 10 states with titling taxes. The increase in highway revenue from the titling tax has on the average exceeded the rate of inflation, whereas motor fuel tax revenues have risen slowly and in some cases decreased. Logically, other states may focus on the titling tax as a good means of increasing their highway revenues. However, considerations of equity in tax burden and good highway-finance principles suggest that increased revenue from a titling tax should be considered only after an increased motor fuel tax has been considered.

Personal property taxes on vehicles, which generally accrue to local general revenues and not to the highway fund, provide another example that shows how some taxes are indexed to inflation and others are not. Based on highway cost-allocation principles, there are at least five problems with placing major reliance on the vehicle property tax, the titling tax, or the vehicle sales tax. First, they are not related to use of the highway system vis-à-vis the motor fuel tax. Therefore, they act contrary to the concept of economic efficiency stated above. Second, it appears that generally owners of automobiles and light trucks overpay their share of highway costs. Third, highway tax increases due to inflation that affect such owners would make such user charges even more inequitable. Fourth, economists point out that adverse impacts from deviating from economic efficiency are complex and affect the

national, state, and local economies in other ways. Fifth, they make it much more difficult to raise nonindexed taxes such as motor fuel taxes.

As a practical matter, the state highway agency is primarily concerned with whether or not vehicle property and sales taxes adversely affect proposals to raise highway user taxes. One possible solution may include seeking a lower vehicle property tax rate so that increased or ad valorem highway user taxes may be enacted.

In conclusion, states are urged to first seek increases in motor fuel taxes and weight and mileage taxes, since these are most closely related to use. If such use-related taxes are insufficient to fund the highway program, then states may look to first-structure taxes such as registration fees and titling taxes to fund the program. In developing the amount of the tax increase, the objectives of equity and balance should be kept in mind, so that the amount of the tax imposed corresponds to the costs caused by each vehicle class. Some states may be able to use a financing package that combines bonds for capital improvements with increased user fees for debt service and expected maintenance.

#### ACKNOWLEDGMENT

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## Financing County Roads: An Evolution in Progress

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As new methods of raising and allocating revenues to maintain local roads and bridges are debated in the political arena, the condition of those facilities continues to worsen. Cities and counties are faced with increasing competition for funds that have not kept up with rising construction costs. The problem of programming county road and bridge funds in Indiana is described. The state's local-option highway user tax is presented as an innovative revenue-generation method available to county governments. The financial constraints on a

county's ability to fund all legitimate projects are illustrated by two distinctly different cases in Indiana. The resolution of these two cases gives clues to a set of measures that must be considered as we move through an evolutionary period in highway financing and programming.



Recent years have seen a continuation—even an acceleration—of two disturbing trends: the deterioration of U.S. roads and highways and the failure of highway maintenance revenues to keep pace with maintenance costs. All levels of government sought new sources of revenues to apply to the road system for which it was responsible. In most cases, they were not successful. Raising taxes is never politically desirable, so as each governmental body sought to provide services within a shrinking budget (in real terms), some of those services did not receive high priority.

Among the most postponable of local governmental services seems to be road maintenance. Normal road maintenance activities are deferred in the name of economy and with the hope that the facilities can survive another year. Such gambles often do not succeed. Routine maintenance deferred brings on a premature need for more extensive work, such as resurfacing. Postponed resurfacing can hasten the day that reconstruction is needed. This penny-wise and pound-foolish approach can lead to greater expenditures and, in the meantime, to poorer service to highway users.

Even as these struggles were taking place in statehouses and county halls, a philosophy was taking shape in Washington, D.C. In February 1982, the Reagan Administration announced its New Federalism proposals. An important element involved the gradual reduction of federal funds available to the states for highways and other transportation facilities. At a time of the states' above-mentioned struggles, this was not a development welcomed by many of them. Even if the initial proposal carried with it a transfer of funds, in the not-too-distant future the states would have added responsibilities, which would include those of raising additional revenue. State and local highway routine maintenance activities have never been eligible for federal funds, but Washington's grants to projects in other categories made more state-level funds available for maintenance. If highway funds are no longer forthcoming from the federal government, state and local governments will be facing serious choices. If they are unwilling or unable to replace these federal revenues, do they skimp even further on maintenance to create funds for large capital projects? Or are such large projects left undone and postponed, which would lead to a highway network that provides an ever-diminishing level of service?

The recently enacted 5-cent increase in the federal gasoline tax will provide a substantial increase in federal assistance to states and local governments. But the need to repair U.S. roads and bridges is so great that the \$5.5 billion increased annual aid is only a fraction of what is needed (1,2). Furthermore, these funds are for capital projects only. Their impact on local road maintenance will be indirect and dependent on a particular state's method of allocating the funds. The Indiana Transportation Coordinating Board has determined that the state's \$48 million share of the new assistance would be split 75 percent/25 percent; the state would receive the bigger part. The \$12 million for cities and counties will be awarded on a project-by-project basis. Some cities and counties will get none of the \$48 million. Among those that do, whether the new capital funds cause a rise or decline in a local agency's funds available for maintenance depends on whether the project would have been attempted without federal assistance and on the degree to which local matching funds are required. Although the new revenues generated by the Surface Transportation Assistance Act of 1982 are welcome, their availability at the local level is by

no means guaranteed, and their impact on maintenance is uncertain at best.

In this paper, the impacts of the physical and fiscal trends pertaining to county roads in Indiana are examined. In just the past few months, we in Indiana have seen developments that we feel are symptomatic of the nationwide situation in local highway financing. We may be watching the early stages of an evolution in highway maintenance responsibilities, an evolution that involves a greater local commitment to better roads and the revenue generation that commitment requires. The problems of Indiana roads may not be unique, but some of the solutions being tried may be of interest to many areas of the country.

#### INDIANA'S COUNTY ROAD NETWORK

Indiana's local road network totals 80 163 miles. Of this total, 66 413 miles are the responsibility of county government. The remaining 13 751 miles of local roads fall under the jurisdiction of cities and towns. The basic county highway network is a grid, and its roads are typically spaced a mile apart. Designed principally for farm-to-market traffic, most of these roads retain their low-volume nature. Their surfaces range from gravel to paved, depending on actual volumes, vehicular loads, local maintenance philosophy, and available funds. About 55.5 percent of the highway county mileage is paved, whereas the rest is primarily gravel or stone surfaced.

Indiana has not been immune to the effects of increased highway maintenance costs and shrinking highway revenues. In recent years, the state has been hit hard by the combined ravages of unemployment, weather (snow, floods, tornadoes), and an assortment of new demands on local funds (upgrading sanitary landfills, relieving overcrowded jails, and so on).

#### FINANCING COUNTY ROADS IN INDIANA

As in other states, the state government in Indiana has the major responsibility of collecting and disbursing revenues for county highways. In FY 1981, \$346 million in revenue was collected within the state for use on Indiana roads:

Revenue Source	Amount (\$000 000s)
Fuel tax revenue	277
Other net revenue	64

Allocation	Amount (\$000 000s)
State	177
Counties	106
Cities and towns	58
Distressed-road fund	5

These funds were distributed for state, county, and city and town use in accordance with the flow chart shown in Figure 1.

Anticipating continued increases in highway maintenance costs and expecting no significant rise in the amount of automobile fuel purchased, the state legislature recently enacted one of the nation's first ad valorem gasoline taxes. However, the legislature, like everyone else, had expected fuel prices to continue their steady rise. The gasoline glut of 1982 reversed this trend, along with the path of projected highway revenues. As it was, the director of Indiana's Department of Highways (IDOH) announced in May that FY 1983 motor fuel tax revenues would be about \$47 million less than was projected one year earlier. This, coupled with a winter snow and ice removal budget that was exceeded



by several million dollars last winter, meant that (3) there simply would not be enough money to cover all of the planned work and the emergencies, too. Thus, the state was not likely to be a ready source of funds to supplement local highway budgets.

As the revenue pie shared by state and local highway agencies shrinks in relation to the expense shown in maintaining roads and bridges, the concern each local agency feels about receiving its fair share of those revenues intensifies. The allocation scheme shown in Figure 1 represents a reasonable approach, but any such mechanism is vulnerable to complaints--always sincere and often legitimate--about its equity. The scheme relies on these factors: population, vehicle registration, and road mileage within each jurisdiction. The data in Table 1 demonstrate the problems that result from such a procedure.

An official responsible for maintaining the county roads in Benton County can check the summary

of revenue allocations and find that although the rural roads in Lake County are approximately the same in extent, the Lake County official has almost five times as much money to use. When the revenues of the cities and towns are included, the countywide ratio of dollars per mile becomes even more disparate. However, Lake County can use the same data to advance a complaint of its own. People own and operate vehicles, vehicles cause the deterioration of streets and highways, and Lake County has many more of both than Benton County. Yet Lake County as a whole receives only half as much per vehicle as does Benton County. A rural county seeks to maintain its basic road network, whereas an urban county attempts to keep pace with the destructive effects of high traffic densities. Both feel shortchanged, but neither is likely to find a remedy at the statehouse. Any proposed revision is likely to hurt as many jurisdictions as it would help, and a large enough number of jurisdictions would be sufficiently

Figure 1. Distribution of motor fuel tax revenues.

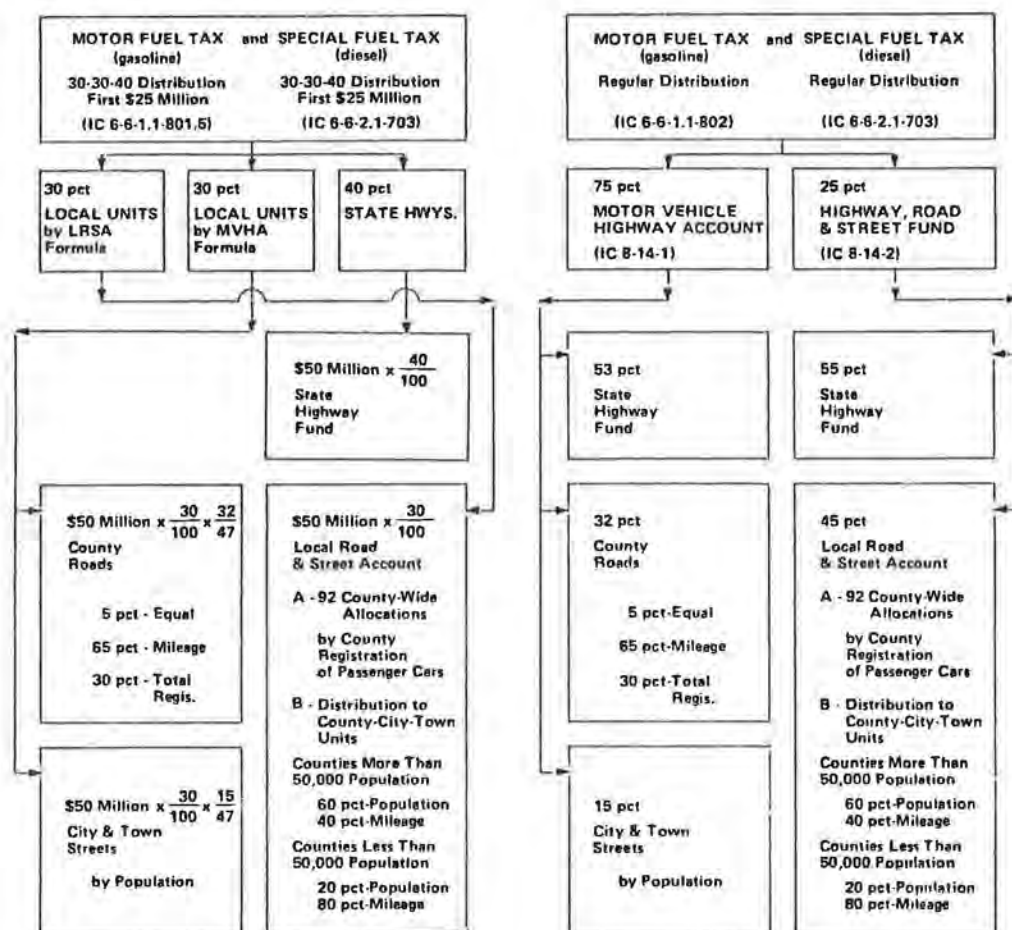


Table 1. Comparison of county highway allocations.

County and Jurisdiction	1980 Population	1980 Vehicle Registration	1981 Miles	FY 1981 Allocation			
				Amount (\$000s)	Dollars per Person	Dollars per Vehicle	Dollars per Mile
Benton County							
Rural roads	3 901	N/A	673	740	190	N/A	1100
All roads	10 218	10 864	726	834	82	77	1149
Lake County							
Rural roads	41 870	N/A	625	3 472	83	NA	5555
All roads	552 965	357 721	2197	13 687	26	38	6230

unaffected to prevent a majority supporting change from forming. Besides, two more obvious—but not painless—alternatives already exist. The first is a further increase in the state motor fuel tax. The second involves local options that will be discussed in the next section.

#### COUNTY LOCAL-OPTION TAXES

As highway maintenance costs escalate, traditional highway revenues are diminished, and the allocation equity debate becomes more futile, interest in an option available to the counties is beginning to grow. The current option is twofold: an excise surtax and a wheel tax (4).

The 1980 Indiana legislature provided the state's counties with a statutory procedure whereby they can, at their own discretion, generate additional revenues to upgrade the conditions of the local road and street systems under their jurisdiction. The excise surtax is a surtax on the annual excise tax paid on passenger cars, trucks of less than 11 000 lb gross vehicle weight, and motorcycles registered in a county. Public Law 10 (1980) authorized an annual excise surtax of not less than 2 percent or more than 10 percent to be paid with the annual registration of the affected motor vehicles. The surtax must be uniform on all classifications of motor vehicles subject to the excise tax.

The wheel tax is not a tax on the number of wheels or axles but an annual tax paid on six classifications of motor vehicles registered in the county that are not subject to an excise tax. PL 10 authorizes an annual wheel tax of not less than \$5 or more than \$40 to be paid with the annual registration fees. A county may impose a different tax for each of six motor vehicle classes: buses, recreational vehicles, semitrailers, tractors, trailers, and trucks. Wheel-tax exemptions include vehicles owned by a public agency, church buses, and vehicles subject to the annual excise surtax.

This new home-rule authority for county government provides a mechanism for dealing with the wide variations in local needs for roads and streets over the state. In making the decision to impose these local-option taxes, local officials should weigh the road and street needs in their county against their ability to meet these needs with state-distributed revenues. Both of these local-option taxes must be imposed at the same time. Likewise, if removed, both taxes must be removed simultaneously. The revenue derived from these taxes must be distributed to the county-city-town units within the county solely on the basis of road and street mileage in each jurisdiction.

Returning to the case of Table 1, we can estimate the impact of such taxes in Benton and Lake Counties. At their maximum levels, the taxes can increase highway revenues available for local use by the amounts shown below:

County and Jurisdiction	Maximum Local-Option Tax Revenues (\$000s)	Increase Over 1981 Revenues (%)
Benton County		
Rural roads	136.6	18.5
All roads	147.5	17.7
Lake County		
Rural roads	860.0	24.8
All roads	3024.3	22.1

These taxes are collected on a vehicle basis but distributed on a road-mile basis within the county that enacts them. Although this blend of philosophies might lessen the equity question raised ear-

lier, it appears that Lake County may have more to gain from such a tax.

As appealing as the home-rule argument might be to local officials weary of dependence on a state-level allocation mechanism, the local-option taxes have not been widely adopted. Even among the 10 Indiana counties offered interest-free loans from the Distressed-Road Fund if they first adopt the local-option taxes, only two have adopted the measures. PL 10 requires that the excise surtax and wheel tax be adopted at least six months before the start of a calendar year. As July 1, 1982, approached, Indiana saw a number of counties address the issue. However, the results were mostly negative. In fact, of Indiana's 92 counties, only 8 have adopted the measures. The arguments against passage seem to have focused on questions of revenue-generation potential, equity, state-county relations, and the use of revenues generated.

A common complaint of county council members is that the current local-option tax provision does not allow for generation of enough revenue to justify the political cost of raising a local tax. As of January 1983, new legislation had been introduced to increase the revenue potential of the excise surtax portion about eightfold.

An example of the equity question is the inflexibility of certain wheel-tax provisions. Whereas the excise surtax is tied to a vehicle's value, the wheel tax makes no distinction within its six vehicle classes, in which a large variation in size and value may occur. The newly proposed law will allow counties to set different rates within the trailer and truck categories.

At a time when local governments are looking to the state to ease the transition from federal revenue-sharing to a possible future under New Federalism, local officials are reluctant to use up any revenue-generating sources. "If we raise the \$90 000 this year," one county council president remarked, "next year they'll say, 'OK, now get \$180 000'" (5).

Inequality in the use of revenues generated locally was raised by another county council member (6): "If we raise \$90 000, that would blacktop about two miles of road. What do we tell the guy who pays \$40 per truck for his three trucks and still doesn't get his road fixed?"

Statements such as these illustrate the other side of the home-rule coin. They also demonstrate the change in thinking that must come about when local governments assume—by choice or necessity—a greater role in revenue raising and allocation. If that \$90 000 mentioned above were in the form of a federal grant, would the decision as to its use be any different? Would the truck owner consider it as much a personal tax as the wheel tax? Will methods for setting priorities for public projects become more rigorous as citizens begin to identify more closely with tax revenues and their use? Local control and user fees both seem to be gaining favor as political ideals. The local-option taxes available in Indiana are examples of how these elements can be combined. The degree to which they (and similar measures) are accepted will indicate the future not only of local roads and streets but of a wide variety of services that have been locally provided but reliant on external funding.

#### BRIDGE AT AMERICUS

In this section and the next, two cases are presented that illustrate the types of situations that confront citizens and their local officials in the realm of basic transportation. In this section, the problem is that of a needed major capital project

and its impact on both the county budget and a small town's economic well-being. In the next section, a relatively minor project was nevertheless important enough to some citizens to rouse a new spirit of citizen initiative in what is typically public-sector activity. Although quite different in scope and consequence, both cases serve to exemplify the increasingly difficult problem faced by local agencies responsible for roads and streets: how to establish priorities and evaluate the impacts of allocating very limited funds when only a few of many justified projects can be carried out.

Americus, Indiana, is an unincorporated town of about 100 persons situated along the Wabash River. State Route 25 passes through Americus and connects Lafayette (the county seat with population 43 000 about 11 miles to the south) and Delphi (3000 people, about 6 miles north of Americus). East-west traffic through Americus is predominantly local in nature. To the southeast is a limited network of county roads serving rural and agricultural properties. To the west is County Bridge 150, which connects Americus with sparsely populated sections of northern Tippecanoe County.

Late in May 1982, the county commissioners, acting on the advice of the county engineer and a private consultant, ordered bridge 150 across the Wabash at Americus closed. The engineer cited holes in the bridge deck and a 1979 inspection that revealed that all of the joints in the structure, built in 1893, were frozen. Residents in the area objected to this action on several counts:

1. Closing the county bridge would add a 14-mile detour around Americus to trips on SR 25. The six small businesses in Americus could not survive even a small drop in patronage caused by such a detour.

2. On June 14, 1982, bridge 144 on SR 25, the main link to Lafayette, was scheduled to be closed by state officials for 100 days for reconstruction.

3. The state's closing of SR 25 carried with it an official state-designated detour of about 22 miles. A much shorter detour involved using county roads to the southeast of Americus and through Buck Creek before rejoining SR 25. But these roads have hazardous spots with steep hills and narrow bridges. If a significant fraction of SR 25's normal 6000 vehicles per day used these county roads as a detour, county officials might be facing still another highway maintenance problem.

4. The next bridge north of Americus across the Wabash had been closed for reconstruction for more than a year. The net result for Americus would be virtual isolation from customers, important services, and the nearest cities.

On June 8, 1982, the Tippecanoe County Council approved expenditures in excess of \$500 000 for bridge and road repair in the county. Three other bridges and two road sections were to receive attention, but the Americus bridge project was too big for the county to undertake alone.

On June 21, 1982, the County Council announced that the bridge would remain closed but that the county commissioners would seek funds on both the county and federal levels to replace the bridge. County officials had completed engineering plans to replace the bridge, but those plans were shelved until about early May. The officials had been told that the state planned to replace the SR 225 bridge over the Wabash--the next bridge south of the Americus bridge. This might have made reconstruction at Americus unnecessary or at least postponable. Now it appears that the SR 225 bridge will not be rebuilt until 1986 at the earliest. On March 1, 1982, the commissioners had decided to use federal funds

in FY 1983 for work on County Road 900-E and the Granville bridge. On June 21, they approved sending in federal forms that requested a transfer of funds from County Road 900-E to the Americus bridge project. Finally, in January 1983, \$1.1 million in federal funds was earmarked to help pay for replacing the Americus bridge, a project estimated to cost more than \$1.5 million. The county's share will be approximately \$300 000.

The Americus bridge controversy typifies the difficult problem of setting priorities among competing projects. It underscores the dilemma that local officials will face with increasing frequency if funds become less available. In addition, the incident produced an interesting aspect of citizen participation in highway development. During one of the meetings between residents of Americus and county officials, a commissioner offered an unusual suggestion. She suggested that the citizens hire their own engineering firm to verify the original study done for the county. If the firm determined that safe use could be made of the bridge, that firm should also assume liability for any resulting mishaps. This suggestion is a step beyond what is usually meant by citizen participation, but it is not without precedent, as the next section will demonstrate.

#### BOONE COUNTY ROAD 200-S

Nine families who live along a 0.7-mile segment of County Road 200-S near Lebanon, Indiana, have taken the term "citizen initiative" seriously. Located immediately off US-421, the crevasses, trenches, and craters of this stretch known as Old Mud Road have wrought havoc with cars attempting to negotiate its length. Residents speak of demolished mufflers, ruined paint jobs, short-lived shocks, and frequent front-end alignments. The problem is exacerbated by the area's high water table. Water springs up in the road and flows in the holes and trenches of the roadway. Heavy rains make it even worse. And when it does not rain, the dust from passing traffic is a severe problem.

Recognizing that Boone County could not in the foreseeable future put County Road 200-S ahead of other road and bridge projects in the line-up for funding, the families there are raising \$10 000 to upgrade "their" road. The nine families whose homes are east of bridge 196 over Fendley Creek represent a variety of income levels, and the financial contribution from each household varies accordingly (7).

Mike Owen was the resident chosen to seek bids on the project. He understood that the county would, in August, reform the ditches and prepare the road-bed by scarifying, combining, and compacting before the contractor's arrival. The best bid received to date--\$10 500--includes the cost of stone, liquid asphalt, and sealant for a 20-ft roadway width. The county has offered to haul stone for the contractor. The resulting chip-and-seal surface is expected to provide a much-improved level of service while it keeps maintenance costs modest. The county has pledged to reseal the surface on a 2- to 5-year cycle.

Several factors led the families on 200-S to their present course:

1. Bridge 189 on County Road 300-S (which parallels 200-S) is scheduled for temporary closing in the near future. The additional traffic that uses 200-S as a detour would only intensify the road's current inadequacies.

2. In 1982, residents of a subdivision along 975-E hired their own contractor to improve their road. Due to the larger number of families in-



volved, the double-chip-and-seal surface was successfully achieved at about \$300 per household. The county performed the ditch work and surface preparation before the contractor's arrival and will perform maintenance on the road every two years.

3. Another 200-S resident, Dot Chapel, said that government participation in the funding of the road improvement project did not appear practical. Besides the inevitable red tape and uncertain results that accompany a government program, stringent standards would apply. This would mean that bridge 196 would have to be upgraded, which would cause considerable added expense and a lengthy closing of the road they sought to improve.

4. The choice of road surface was based on observations in a number of counties. Owen detected regret on the part of officials in those counties where a large-scale paving program had taken place in recent years. The maintenance costs were becoming intolerable. On the other hand, Chapel cited Kosciusko County, where all the roads are chip and seal. The surfaces are maintained in good condition at reasonable cost.

During personal interviews with the principals in this project, at no time was any animosity or resentment between residents and county officials detected. Boone County Commissioner Sam E. Dodd regrets the lack of money for such work but says that self-financing "is the only way it's going to get done. I told the people that if they agree to do it, we'll grade it and do the ditches because we have the equipment for that. Ultimately, it will become a good road if there's not too much heavy traffic on it" (7).

Commissioner Dodd said that 60 percent of Boone County's 840 miles of roads was gravel. The county's small population (36 000) limits its ability to generate significant additional revenues locally. When asked about the local-option taxes, which could generate up to \$300 000 for the county, Dodd raised yet another aspect of the equity issue discussed earlier in this paper. How could he propose and pass a new tax on the vehicle registration and license process when so much of the existing fees so collected go for nonhighway activities?

Dodd has a point. The vehicle excise tax, payable at license renewal time and the basis for the excise tax surcharge element of the local option, is collected by the motor vehicle license branch in each county. According to Indiana's deputy commissioner of the Bureau of Motor Vehicles (BMV), these tax revenues are deposited locally to an account held jointly by the BMV and the county treasurer. The county treasurer can, twice a year, apply these revenues to the needs of the county. And these needs are many. The diversion of these revenues to support activities such as fire protection, parks, and education often leaves little or nothing for highway-related use. Local property taxes in Indiana have been frozen for several years, and competition for any funds not earmarked is intense. The appeal of user fees is in conflict with the realities of entitlements, transfer payments, and application of revenues raised in one sector applied to totally unrelated activities. This leaves citizens, especially those in Indiana who pride themselves on local initiative and self-reliance, unreceptive to new taxes as a remedy. The citizen involvement exemplified by the families along Boone County Road 200-S may become the model for future local road improvements.

## CONCLUSIONS

The Americus and Boone County examples presented in

this paper indicate the sort of mechanisms that may emerge as highway revenues fail to keep pace with highway needs.

The bridge closings at Americus highlight the difficulty that local officials face in making a tradeoff among highway projects within their jurisdiction. The case also illustrates the relationship of a county government to its citizens and the importance of effective coordination with higher levels of government in today's fiscal climate.

Although the nature and magnitude of the Americus bridge situation required working entirely within the governmental process, the citizens on Boone County Road 200-S were able to form a sort of partnership with their county officials. By financing the cost of materials that the county budget could not afford, the residents will acquire a dust-free road and provide all traffic a much higher level of service. The county's principal contribution will be personnel and equipment, resources that are already in the budget. For only a small amount of direct cost, such as fuel, Boone County achieves a marked improvement in part of its road network.

It may be worthwhile to examine a possible objection to the Boone County procedure. It could be said that if this practice were to proliferate, only those roads for which residents are willing and able to pay for materials will be in good condition. But this argument seems to

1. Forget that county roads are public goods available to any driver. The more widespread citizen financing becomes, the greater the number of nonpaying beneficiaries there will be.

2. Ignore the fact that citizen-financed roads can be upgraded at negligible cost to county taxpayers, whereas the considerable savings in maintenance costs that result can be applied to other county highway needs.

3. Assume that so many neighborhood groups will be willing to pay sums well in excess of their existing county taxes that established ways of programming highway funds will be abandoned and the county highway budget will be allowed to shrink to imprudently low levels.

4. Assume that the elected county officials who establish funding levels and priorities are not sensitive to the wishes of their voting constituencies.

The decision of a neighborhood group to contribute thousands of dollars to what has been exclusively a government function is primarily an economic one. The project must meet the approval of county officials whether or not county resources are sought. It is here that the political counterweight in the interests of the general public's welfare can be applied.

It is not certain to what extent, if any, the New Federalism proposals will be enacted. One year after his original suggestions, President Reagan scaled down his plan to transfer federal programs to state and local governments. Objection has come from almost every group that receives federal money. A survey by the National League of Cities found that most cities have been unable or unwilling to replace lost federal aid from their own revenues. Five thousand delegates at a July 1982 meeting of the National Association of Counties challenged basic features of the Reagan plan and insisted that all welfare be handed over to the federal government and that direct grants to localities be continued instead of turned over to the states. The American Public Transit Association condemns the reduction of federal aid to transit as incompatible with attempts to revitalize the economy.

For many years, if average citizens knew the name of any of their legislators, it was their senator or U.S. representative. City council members and elected county officials labored under virtual anonymity. Recently, we have seen evidence of a reversal in this situation. The Americus bridge project and the local-option tax examples should serve as warnings to state and local officials about the possible not-so-distant future of highway funding. It is appropriate and expected that local citizens have a keen interest in how local funds are spent and in how local projects are selected. But as major projects become even more expensive, a new mechanism for funding large local projects must be developed. Most of Indiana's localities have populations and tax bases that cannot measure up to an individual large road or bridge project, let alone a number of them over a period of a few years.

It is with these large projects that new fund-allocation procedures and renewed efforts at inter-jurisdictional cooperation are critical. Among the measures that demand sober, unselfish evaluation are

1. The feasibility of levying special-assessment fees for highway improvement and maintenance for property owners adjacent to the rights-of-way (this option is particularly relevant for county roads, most of which are farm-to-market roads); special assessment will thus reflect direct-user fees;
2. A practical mechanism for localities to accumulate funds for planned or emergency future projects;
3. The establishment of a state-level capital fund for large projects on local roads; grants could be made on project merit, a rotational basis, or other criteria;
4. A streamlined and equitable method for reevaluating the appropriate jurisdiction for a given road together with appropriate standards for its design and upkeep; and
5. The removal of obstacles to the cooperation of different jurisdictions in undertaking a mutually beneficial project.

If any significant portions of the New Federalism proposals survive the political battlefield, an era of opportunity and hard choices lies ahead. No longer will the major concern be effective grantsmanship at the federal level. Instead, we will have

a clearer recognition that it is our money being spent. Citizen input will be more direct and intense, both to spend and not to spend. Local officials will be pressed to offer solid justification for their use of tax revenues. And local taxes may rise, even significantly. But if local tax increases occur in response to public demand for services, if measures such as the five listed in the previous paragraph can be implemented, and if at the same time the federal and state tax burdens can be eased, progress will have been made. If we can achieve progress in the category of postponable highway maintenance, we will surely see improvements in other areas.

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## Current Trends in Toll Financing

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User fees for the consumption of services provided by transportation facilities have been accepted for centuries and are receiving wider support today for future application. Currently in the United States, 28 states operate 36 toll roads and 43 toll bridges. In addition, 29 county and 27 municipal toll facilities, primarily bridges, are now in operation across the country. Despite the effects of the 1956 Federal-Aid Highway Act, which discouraged the user-fee concept for highways, 20 new toll roads totaling 770 miles and 13 new toll bridges have become operational in the United States during the last 15 years. The toll concept has also become accepted internationally; France, Spain, Italy, Japan, and Britain are among the many nations operating successful toll facilities. Toll projects, especially toll roads, are gaining approval for several reasons. First, user fees can partly relieve the state governments of the financial burden of providing adequate and efficient highways. Second, toll facilities often provide better emergency and patrol services and a greater degree of safety than their nontoll counterparts. Last, through rate differentials, toll roads can en-

courage carpooling, thereby maximizing energy efficiency, or can offer special commuter rates for frequent users. Creative financing has become the key to expansion of the present toll-facilities system. Traditionally, financing has been accomplished with the use of revenue bonds when costs incurred in the construction and operation of toll facilities are covered completely by toll revenues. In 1965, the Dallas North Tollway was the last major new toll road to be financed with revenue bonds; the financing since then has been extensions of existing systems or included subsidies and/or pledges of other than toll income. The Ambassador Bridge in Detroit, privately financed and operated by the Detroit International Bridge Company, is one of the few major toll facilities still in private ownership. Future expansion of the toll concept depends heavily on actions of the federal and state governments as to possible use of federal funds to partly defray the construction cost of new toll facilities as well as on the extent to which federal contributions can be made to annual maintenance and rehabilitation costs. It is expected, too, that greater public-