Written Response Provided by the Utah Department of Transportation
to the Utah Tax Review Commission
May 28, 2015

Transportation Fund	
1/16% Sales Tax	
What is the purpose of these expenditures? Why was a sales tax earmark designated as a source of revenue?	Revenue from the 1/16% is deposited in UDOT's share of the Transportation Fund and appropriated to ongoing costs associated with the operation, maintenance, and construction of the state highway system. None of these revenues are expended for highway capacity construction projects. Dedication began on July 1, 2007. Prior to 2007 as provided under H.B. 6004, Sales and Use Tax Amendments, adopted in the 2002 Sixth Special Session, the 1/16% sales tax was dedicated as follows: 94% to the Class B&C Road Fund* capped at $18,743,000, 3% to the Transportation Corridor Preservation Fund, and 3% to the State Park Access Highway Improvement Program. In the 2007 General Session, the legislature adopted H.B. 383, Transportation Funding Revision, sponsored by Rep. Rebecca Lockhart, to increase the B&C Fund's share of revenue from the Transportation Fund from 25% to 30%, thereby decreasing the state's share from 75% to 70%. To compensate UDOT for the decreased share of Transportation Fund revenue dedicated to state roads, the bill reallocated the full 1/16% to UDOT and also removed the statutory cap. **Class B&C Road Fund program*: Originally established by the Utah Legislature in 1937, the B&C Fund provides assistance to counties and incorporated municipalities for the improvement of locally-owned roads and streets. As currently provided in code, 30% of highway user revenue — comprised of state fuel taxes, registration fees, and highway user permits and fees — deposited in

	the Transportation Fund, is allocated to the B&C Fund for expenditure on local roads with the remaining 70% allocated to UDOT for expenditure on the state highway system.
Are these expenditures ever used to service a bond or other form of indebtedness? If so, what are the terms for repayment of the bonded indebtedness?	No, revenue to the Transportation Fund is not used to service bonds or other indebtedness.
Do you have any recommendations for changes or improvements to this expenditure program?	Retain current dedication.
Do you have any other information that would help the TRC in reviewing this expenditure program?	This revenue source has factored into long-term funding needs identified by UDOT and considered by the legislature, including a study conducted by the Transportation Interim Committee in 2013 and 2014 to examine issues related to transportation funding, planning, operations, and maintenance. Combined with new fuel tax revenue realized from H.B. 362, Transportation Infrastructure Funding, adopted in the 2015 General Session, the 1/16% and other existing sources of revenue to the Transportation Fund will provide the level of funding necessary to address deficient pavement and bridge preservation needs on the state highway system.
0.025% Sales Tax	
What is the purpose of these expenditures? Why was a sales tax earmark designated as a source of revenue?	Deposited in the Transportation Fund, state code dedicates 0.025% to address chokepoints in construction management. Dedication began on January 1, 2009. As part of a broader tax bill adopted in the 2008 General Session, H.B. 359, Tax Changes, sponsored by Rep. John Dougall, the legislature adjusted the state sales tax rate from 4.65% to 4.7%, excluding food. Half of the 0.05% adjustment was dedicated to the Transportation Fund to

	address chokepoints in construction management. The other half was dedicated to the Critical Highway Needs Fund.
Are these expenditures ever used to service a bond or other form of indebtedness? If so, what are the terms for repayment of the bonded indebtedness?	No, revenue to the Transportation Fund is not used to service bonds or other indebtedness
Do you have any recommendations for changes or improvements to this expenditure program?	Retain current dedication.
Do you have any other information that would help the TRC in reviewing this expenditure program?	Similar to the 1/16% sales tax, this revenue source has factored into long-term funding needs identified by UDOT and considered by the legislature, including a study conducted by the Transportation Interim Committee in 2013 and 2014 to examine issues related to transportation funding, planning, operations, and maintenance. Combined with new fuel tax revenue realized from H.B. 362, Transportation Infrastructure Funding, adopted in the 2015 General Session, the 1/16% and other existing sources of revenue to the Transportation Fund will provide the level of funding necessary to address deficient pavement and bridge preservation needs on the state highway system.
Transportation Investment Fund (TIF)	
8.3% of revenue collected from the state sales and use tax rate	
What is the purpose of these expenditures? Why was a sales tax earmark designated as a source of revenue?	8.3% of all state sales and use tax revenue is deposited in the Transportation Investment Fund (TIF), which is statutorily dedicated to the construction, reconstruction or renovation of highway capacity projects that are or will be on the state highway system. State code also allows the use of TIF revenue for maintenance of highways built with TIF funds. Dedication began on July 1, 2006.

	The 8.3% represents about half of the approximately 17% of sales and use tax revenue generated annually by the sale of vehicles and vehicle-related products. The 8.3% was adopted in the 2006 General Session under H.B. 112, Transportation Investment Act, sponsored by Rep. Rebecca Lockhart. The bill was a significant component of a two-year effort in 2003 and 2004 by the Transportation Planning Task Force, a 12-member legislative task force authorized to review and make recommendations on transportation issues, including long-term needs and revenue. The bill directed the 8.3% to the Centennial Highway Fund (CHF) Restrict Account until CHF projects were completed and CHF-related highway general obligation bonds were paid off, at which time the 8.3% would be deposited into the TIF. The TIF itself was created in the 2005 First Special Session under H.B. 1008, Transportation Investment Act, sponsored by Rep. Rebecca Lockhart, a bill recommended by the Transportation Planning Task Force. S.B. 225, Transportation Revisions, sponsored by Sen. Stuart Adams, adopted in the 2012 General Session, redirected taxes and fees deposited in the CHF into the TIF. Additionally, the bill provided that principal, interest, and issuance costs of highway general obligation bonds be paid from the TIF rather than CHF or the Critical Highway Needs Fund.
Are these expenditures ever used to service a bond or other form of indebtedness? If so, what are the terms for repayment of the bonded indebtedness?	Yes, revenue to the TIF from various funding sources is appropriated for debt service associated with state general obligation bonds issued for major highway capacity projects, such as the I-15 reconstruction project in Utah County and the Mountain View Corridor. For Fiscal Year 2015, 59% of TIF revenue is allocated to bond payments and the remaining 41% will be spent for current construction projects. Final payment for outstanding debt is as follows: ▸Centennial Highway Fund projects, last payment in Fiscal Year 2018 ▸Critical Highway Needs Fund projects, last payment in Fiscal Year 2027 ▸Transportation Investment Fund projects, last payment in Fiscal Year 2029
Do you have any recommendations for changes or improvements to this expenditure program?	Currently, five sales taxes are dedicated to the TIF: 8.3%, 30% of growth, 1/64%, $90 million, and 0.025%.

	Adjust sales tax dedicated to the TIF over time so that the total amount of sales tax revenue dedicated to the TIF approximately represents the 17% of sales and use tax generated by the sale of vehicles and vehicle-related products. Scenarios may be considered that adjust sales tax dedications to the TIF while retaining sufficient revenue to meet debt obligations and to finance current commitments for highway capacity construction projects.
Do you have any other information that would help the TRC in reviewing this expenditure program?	In addition to expenditure of TIF funds for debt service, TIF funds are programmed to highway capacity projects in the Statewide Transportation Improvement Program (STIP) through Fiscal Year 2018. Additionally, H.B. 420, Revisions to Transportation Funding, adopted in the 2015 General Session, directed the Utah Transportation Commission (Commission) to develop a funding plan and identify a construction program for highway capacity projects that meet long-term transportation needs beyond the normal four year programming horizon. The Commission was directed to present that plan and program to the Transportation Interim Committee. Using future TIF revenue estimates, the Commission has prioritized a list of capacity projects through Fiscal Year 2022 and presented the list to the Transportation Interim Committee. Projects are prioritized based on project prioritization processes required under state code §72-1-304 and Commission Rule R940-6.
30% of Sales Tax Growth	
What is the purpose of these expenditures? Why was a sales tax earmark designated as a source of revenue?	30% of the growth realized in state sales and use tax revenue over the FY 2011 base year is deposited in the Transportation Investment Fund (TIF) until the 8.3% sales tax allocation equals 17%, which represents the approximate amount of sales and use tax revenue generated annually by the sale of vehicles and vehicle-related products. TIF funds are statutorily dedicated to the construction, reconstruction or renovation for new highway capacity projects that are or will be on the state highway system. State code also allows the use of TIF revenue for maintenance of highways built with TIF funds. The 30% sales tax was adopted by the legislature in the 2011 General Session under S.B. 229, Transportation Funding Revisions, sponsored by Sen. Stuart Adams. The bill was vetoed by Governor Herbert, but the legislature voted to override the veto in the 2011 Veto Override Session of the 59th Legislature. Dedication began on July 1, 2012.

Are these expenditures ever used to service a bond or other form of indebtedness? If so, what are the terms for repayment of the bonded indebtedness?	Yes, see response for the 8.3% tax.
Do you have any recommendations for changes or improvements to this expenditure program?	See response provided for the 8.3% sales tax.
Do you have any other information that would help the TRC in reviewing this expenditure program?	See response provided for the 8.3% sales tax.
1/64% Sales Tax	
What is the purpose of these expenditures? Why was a sales tax earmark designated as a source of revenue?	The 1/64% sales tax is deposited in the Transportation Investment Fund, which is statutorily dedicated to the construction, reconstruction or renovation of highway capacity projects that are or will be on the state highway system. State code also allows the use of TIF revenue for maintenance of highways built with TIF funds. Dedication began on January 1, 2000. The 1/64% sales tax was originally directed to the Centennial Highway Fund under H.B. 413, Sales and Use Tax Revenues to Transportation Funding, sponsored by Rep. Christine Fox, in the 1997 General Session. The Centennial Highway Fund (CHF) was funded primarily with the 1997 five-cent fuel tax increase, vehicle registration fee increase, the 1/64% sales tax, and general fund appropriations made to the CHF by the legislature for reconstruction of I-15 in Salt Lake County completed in 2001 and 40 other projects statewide. S.B. 225, Transportation Revisions, sponsored by Sen. Stuart Adams and adopted in the 2012 General Session, redirected taxes and fees deposited in the CHF, including the 1/64%, into the TIF. Additionally, S.B. 225 provided that principal, interest, and issuance costs of highway general obligation bonds be paid from the TIF rather than CHF or the Critical Highway Needs Fund.

	Prior to 1997, the 1/64% sales tax was dedicated to the Olympics Special Revenue Fund for use by the Utah Sports Authority to support preparations associated with the 2002 Olympic Winter Games.
Are these expenditures ever used to service a bond or other form of indebtedness? If so, what are the terms for repayment of the bonded indebtedness?	Yes, see response for the 8.3% sales tax.
Do you have any recommendations for changes or improvements to this expenditure program?	See response provided for the 8.3% sales tax.
Do you have any other information that would help the TRC in reviewing this expenditure program?	See response provided for the 8.3% sales tax.
$90 Million Sales Tax (originally to the Critical Highway Needs Fund)	
What is the purpose of these expenditures? Why was a sales tax earmark designated as a source of revenue?	$90 million is annually deposited in the TIF, which is statutorily dedicated to the construction, reconstruction or renovation of highway capacity projects that are or will be on the state highway system. State code also allows the use of TIF revenue for maintenance of highways built with TIF funds. Dedication began on July 1, 2007. S.B. 225, Transportation Revisions, sponsored by Sen. Stuart Adams and adopted in the 2012 General Session, redirected the $90 million from the Critical Highway Needs Funds to the TIF. Additionally, S.B. 225 provided that principal, interest, and issuance costs of highway general obligation bonds be paid from the TIF rather than CHF or the Critical Highway Needs Fund. The $90 million dedication and the creation of the Critical Highway Needs Fund was originally

	adopted under H.B. 314, Transportation Funding Revisions, sponsored by Rep. Rebecca Lockhart in the 2007 General Session. H.B. 314 directed UDOT to establish and the Utah Transportation Commission to prioritize a list of highway construction or reconstruction projects based on certain criteria specified in the bill. H.B. 314 also authorized the issuance of $1 billion in general obligation bonds that, together with money in the CHNF, paid costs associated with the prioritized projects.
Are these expenditures ever used to service a bond or other form of indebtedness? If so, what are the terms for repayment of the bonded indebtedness?	Yes, see response to for the 8.3% sales tax.
Do you have any recommendations for changes or improvements to this expenditure program?	See response provided for the 8.3% sales tax.
Do you have any other information that would help the TRC in reviewing this expenditure program?	See response provided for the 8.3% sales tax.
0.025% Sales Tax (originally to the Critical Highway Needs Funds)	
What is the purpose of these expenditures? Why was a sales tax earmark designated as a source of revenue?	The 0.025% is deposited in the Transportation Investment Fund. Dedication began on January 1, 2009. Similar to the 0.025% dedicated to the Transportation Fund, this 0.025% was part of a broader tax bill adopted in the 2008 General Session, H.B. 359, Tax Changes, sponsored by Rep. John Dougall. The legislature adjusted the state sales tax rate from 4.65% to 4.7%, excluding food. Half of the 0.05% adjustment was dedicated to the Transportation Fund and half was dedicated to the Critical Highway Needs Fund (CHNF).

Are these expenditures ever used to service a bond or other form of indebtedness? If so, what are the terms for repayment of the bonded indebtedness?	Yes, see response to 8.3% sales tax.
Do you have any recommendations for changes or improvements to this expenditure program?	See response provided for the 8.3% sales tax.
Do you have any other information that would help the TRC in reviewing this expenditure program?	See response provided for the 8.3% sales tax.