



SALES TAX REVENUE SET-ASIDES AND H.B. 362 REVENUE GROWTH

EXECUTIVE APPROPRIATIONS COMMITTEE
STAFF: THOMAS E. YOUNG, PH.D.

ISSUE BRIEF

In FY 2016, sales tax revenue set-asides for transportation, water, and other purposes combined came in about \$3.0 million above the target of \$540.1 million. Revenue growth to the Transportation Fund from the gas tax increase contained in H.B. 362 of the 2015 General Session came in about \$1.5 million above the original \$24.6 million fiscal note estimate.

SALES TAX REVENUE SET-ASIDES

There are 20 sales tax revenue set-asides accounted for in either FY 2016, FY 2017, or FY 2018. A summary of the amount of sales tax revenue set-asides budgeted during the 2016 legislative session for fiscal years 2016 and 2017 follows in Table 1 ([Table 10 in the “Budget of the State of Utah” report](#)). For FY 2016, these earmarks were estimated at \$573.5 million. Actual collections equaled \$576.5 million, or \$3.0 million more than anticipated.

Budgeted transportation-related sales tax revenue set-asides for FY 2017 are currently estimated at \$550.1 million. Water, agriculture, and other sales tax revenue set-asides are expected to be \$36.2 million for FY 2017. On the whole, current consensus estimates have sales tax revenue set-asides amounting to about 21.4% of all potential General Fund revenue.

Figure 1 displays a history of sales tax revenue set-asides. Overall, sales tax revenue set-asides have grown from about \$41 million in FY 2004 to an estimated \$586 million in FY 2017. Between 2012 and 2017 growth in set-asides accelerated under SB 229 of the 2011 Session. That legislation set an upper limit on two Centennial Highway/Transportation Investment Fund set-asides (the 8.3% and 30% new growth) equal to 17% of total sales tax collections. We expect to hit that cap in FY 2018.

Figure 1 - History of Sales Tax Revenue Set-Asides

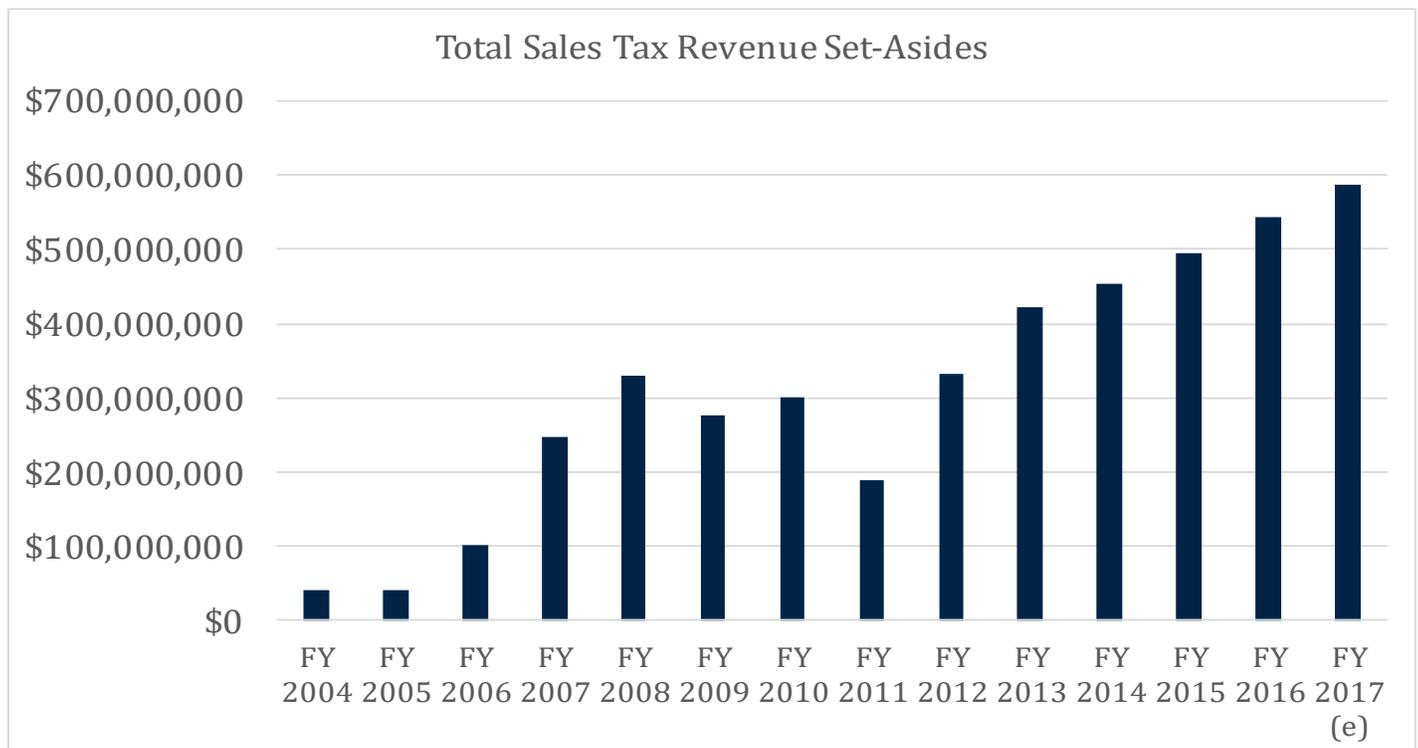


Table 1 - General Fund Revenue Set-Asides

Table 10 - General Fund Revenue Set-Asides, FY 2016 - FY 2017

(in Thousands of Dollars)

Revenue Set-Aside/Earmark Item	FY 2016 Revised	FY 2017 Estimated
Alcohol Law Enforcement (from Beer Tax) (UCA 59-15-109)	5,392	5,406
Economic Development Zone Tax Increment Financing ¹ (UCA 63N-2-107)	2,100	3,100
Emergency Food Agencies (UCA 59-12-103(10))	534	534
Health Related (from Cigarette Tax) ² (UCA 59-14-204)	7,950	7,950
Permanent State Endowment (from Severance Tax) (UCA 51-9-305)		8,749
Tourism Marketing Performance Account (UCA 63N-7-202)	18,000	21,000
Transportation Related		
TIF of 2005 (1/64%) (previously the CHF) ³ (UCA 59-12-103(7))	8,461	
TIF of 2005 (8.3%) (previously the CHF) ⁴ (UCA 59-12-103(8))	192,119	202,880
TIF of 2005, Fixed (previously the CHNF) ⁴ (UCA 59-12-103(9))	90,000	64,000
TIF of 2005 (0.025%/0.05% non-food) (previously the CHNF) ^{4,5} (UCA 59-12-103(11))	11,967	25,268
TIF of 2005 (30% new growth) ⁶ (UCA 59-12-103(8))	157,349	196,247
TIF of 2005 (1/16%) ⁷ (UCA 59-12-103(6))		35,706
Transportation Fund (1/16%) ⁷ (UCA 59-12-103(6))	33,844	
Transportation Fund (0.025% non-food) ⁸ (UCA 59-12-103(12))	11,967	
Throughput Infrastructure Fund ⁹ (UCA 35A-8-308)		26,000
<i>Subtotal, Transportation Related</i>	<i>\$505,707</i>	<i>\$550,101</i>
Water, Agriculture, and Natural Resource Related (1/16%)		
Agriculture Resource Development - DAF (UCA 59-12-103(4)(c))	525	525
Cloud Seeding - DNR Water Resources (UCA 59-12-103(5)(c))	150	150
Drinking Water Loan Fund - DNR Drinking Water (UCA 59-12-103(4)(g))	3,588	3,588
Endangered Species - DNR Species Protection (UCA 59-12-103(4)(b))	2,450	2,450
Wastewater Loan Fund - DNR Water Resources (UCA 59-12-103(4)(e))	7,175	7,175
Water Resource Cons and Dev't - DNR Water Resources (UCA 59-12-103(5)(d))	14,753	16,503
Water Quality Loan Fund - DEQ Water Quality (UCA 59-12-103(4)(f))	3,588	3,588
Water Rights - DNR Water Rights (UCA 59-12-103(4)(d) & (5)(e))	1,117	1,228
Watershed Rehabilitation - DNR Watershed (UCA 59-12-103(5)(b))	500	500
Water Infrastructure Restricted Account ¹⁰ - DNR Water Resources (UCA 73-10g-103)		
<i>Subtotal, Water, Agriculture, and Natural Resources Related</i>	<i>\$33,844</i>	<i>\$35,706</i>
Total, General Fund Revenue Earmarks	\$573,528	\$632,546
Percent of Potential General Fund Revenue	20.5%	21.4%

1. Included in free revenue estimates shown on Table 7.

2. Dept of Health (\$3.15 million), UU Huntsman Cancer Ctr (\$2.0 million), UU Medical School (\$2.8 million).

3. SB 80 eliminates the 1/64% earmark.

4. SB 225 (2012 GS) shifts certain earmark deposits to the TIF of 2005.

5. SB 80 increases this from 0.025% to 0.05% beginning in FY 2017.

6. SB 229 (2011 Veto Override Session) shifts 30% of sales tax growth from the General Fund to the TIF of 2005.

7. SB 80 shifts the 1/16% earmark from the Transportation Fund to the TIF of 2005 in FY 2017.

8. SB 80 eliminates the 0.025% earmark to the Transportation Fund.

9. SB 246 shifts a portion the \$90 m fixed earmark to a new account (\$16 m in FY 2017 and \$17 m in FY 2018).

10. SB 80 shifts 20 % of the 1/16% earmark from TIF to the Water Infra Rest Acct (\$7.4 m) in FY 2018, increasing by 20% per year to 100% in FY 2022.

GAS AND DIESEL TAX

H.B. 362 of the 2015 General Session imposed higher tax rates on gasoline, diesel, and other fuel types. Initially, the tax increase amounted to about 4.9 cents per gallon, increasing the gas tax to 29.4 cents per gallon. A summary of the [fiscal note](#) is given in the following Figure 2.

Overall, the budgeted revenue increase to the Transportation Fund was about \$24.6 million in FY 2016 and about \$75.4 million in FY 2017. Generally favorable gas prices appear to have induced more car travel than analysts initially anticipated. Overall, the actual revenue from the gas tax increase came in at around \$26.1 million in FY 2016, or about \$1.5 million above target.

H.B. 362 also indexed future gas tax rates to the rack price of gasoline by multiplying the average rack price for an entire year by 12% and converting this amount to a tax per gallon. The minimum tax rate is the floor rack price of \$2.45 multiplied by 12% (or 29.4 cents per gallon). Current estimates do not anticipate further gas tax increases due to indexing in FY 2017 or FY 2018. This expectation would change if the average rack price of gas in Utah for an entire fiscal year rose above \$2.45 per gallon (the most recent estimate was \$1.65 for FY 2016).

Figure 2 - Fiscal Note for H.B. 362 of the 2015 General Session

<i>General, Education, and Uniform School Funds</i>				JR4-5-101
	Ongoing	One-time	Total	
Net GF/EF/USF (rev.-exp.)	\$0	\$0	\$0	

<i>State Government</i>				UCA36-12-13(2)(b)
Enactment of this legislation converts the gasoline and diesel taxes into a sales tax, which increases revenue to the Transportation Fund by \$24.9 million in FY 2016 and \$76.0 million in FY 2017. Additionally, the bill imposes a higher tax rate on natural gas/hydrogen vehicles, which increases revenue to the Transportation Fund by \$201,600 in FY 2016 and \$527,500 in FY 2017. The elimination of the cap on the Off-Highway Vehicle Account may shift revenue from the Transportation Fund to the Off-Highway Vehicle Account by \$370,500 in FY 2016 and \$572,000 in FY 2017. The tax increase may also increase revenue to the Boat Fuel Tax Restricted Account by \$135,900 in FY 2016 and \$526,900 in FY 2017.				
Revenues	<i>FY 2015</i>	<i>FY 2016</i>	<i>FY 2017</i>	
Transportation Fund	\$0	\$75,381,500	\$75,381,500	
General Fund Restricted	\$0	\$506,400	\$1,098,900	
Transportation Fund, One-time	\$0	\$(50,742,800)	\$0	
Total Revenues	\$0	\$25,145,100	\$76,480,400	
Enactment of this legislation could result in increased B&C Roads allocation of \$7.4 million in FY 2016 and \$22.6 million in FY 2017.				
Expenditures	<i>FY 2015</i>	<i>FY 2016</i>	<i>FY 2017</i>	
Transportation Fund	\$0	\$22,614,400	\$22,614,400	
Transportation Fund, One-time	\$0	\$(15,222,800)	\$0	
Total Expenditures	\$0	\$7,391,600	\$22,614,400	
Net All Funds (rev-exp)	\$0	\$17,753,500	\$53,866,000	