

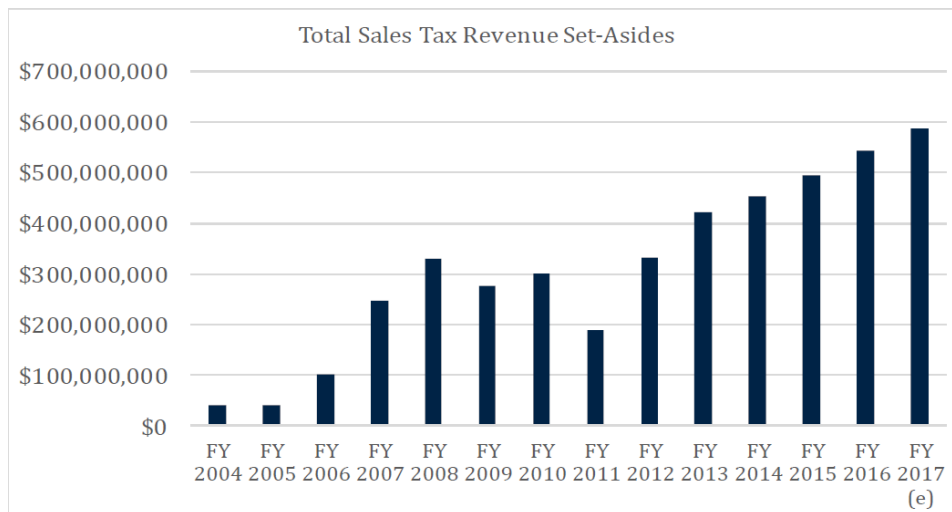
Fiscal Highlights

An Update on Sales Tax Revenue Set-Asides and the Gas Tax - Thomas E. Young

On October 18th, the Executive Appropriations Committee heard an update on sales tax revenue set-asides (earmarks) and the gas tax. The report is available [here](#).

Overall, in FY 2016, sales tax revenue set-asides for transportation, water, and other purposes combined came in about \$3 million above the adopted target during the legislative session of \$540 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.

On sales tax revenue set-asides, the total amount of sales tax revenue set-asides in FY 2017 are estimated to amount to about 21.4% of all potential sales tax revenue. Between 2012 and 2017 growth in set-asides accelerated under S.B. 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 state sales tax collections. The cap is expected to be hit in FY 2018. Sales tax growth to the General Fund should pick up after that. A history of sales tax revenue set-asides is given below.



On revenue from the gas tax, the most recent policy change was the gas tax increase contained in H.B. 362 of the 2015 General Session. That bill 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.