

Transportation Funding in Utah

Today's Realities
Tomorrow's Options

Transportation Funding in Utah

- Where It Comes From
- Where It Goes
- Future Options



WHERE IT COMES FROM

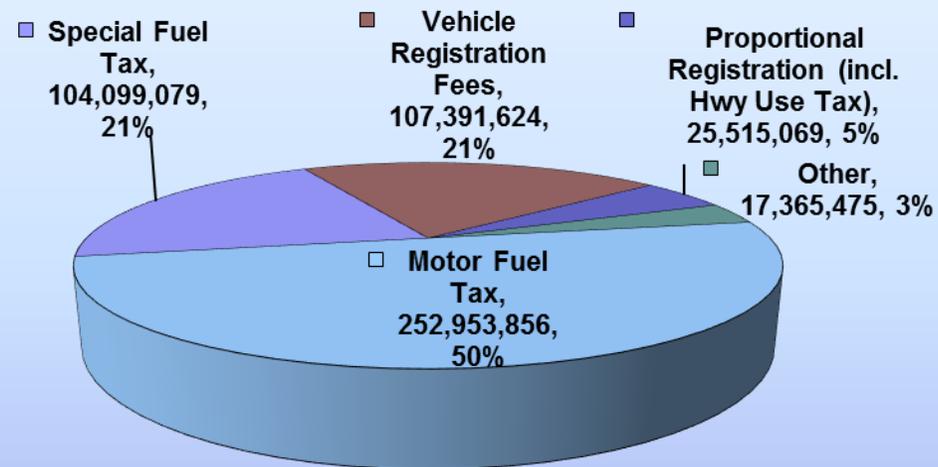
User Fees

- Since 1961, the Utah Constitution has provided that the proceeds of any tax, fee, and other charges related to the operation of motor vehicles on public highways must be used for **highway purposes**, excluding:
 - Statutory refunds and adjustments
 - Costs of collection and administration
 - Driver education
 - Enforcement of motor vehicle and traffic laws

User Fees, cont.

- Motor Fuel Tax
- Special Fuel Tax
- Vehicle Registration Fees
 - Proportional registration (includes Highway use tax)
 - Special transportation permits
 - Motor vehicle control fees
 - Safety inspection fee
 - Temporary permit fees

FY 2012 User Fee Revenue (millions)



Total Revenue: \$507,325,103

Motor Fuel Tax

- Motor Fuel = gasoline and gasohol
- Rate: 24.5 cents per gallon (cpg)
- Last rate change was a 5.5 cpg increase in 1997

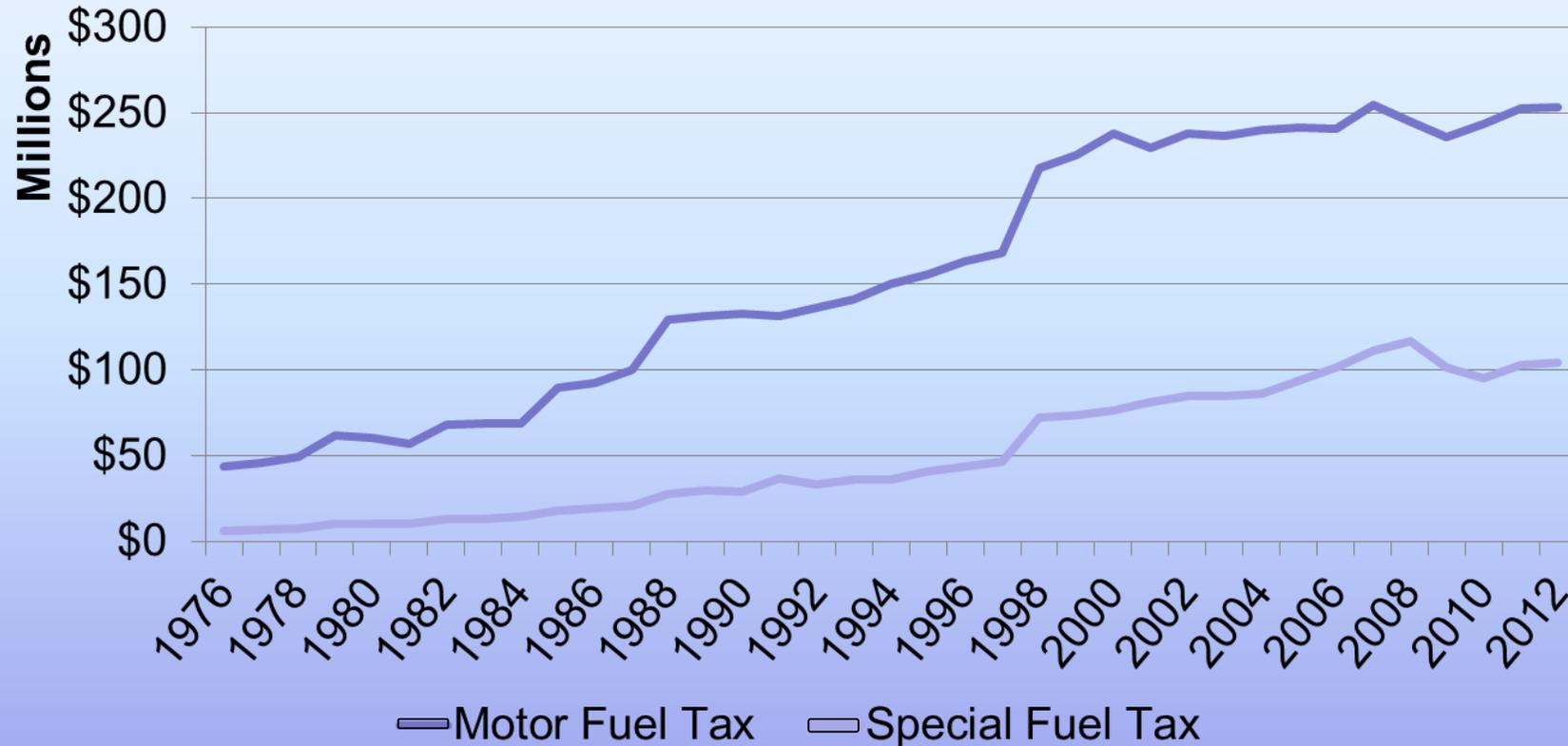
Fiscal Year	Revenue	Growth	Revenue per 1¢ of rate
2012 (actual)	\$252.9 m	0.2%	\$10.3 m
2013 (projected)	\$250.7 m	-0.9%	\$10.2 m

Special Fuel Tax

- Special Fuel = any fuel used to operate a motor vehicle on public highways that is not taxed as aviation or motor fuel. **It includes diesel fuel.**
- Rate: 24.5 cpg
- Last rate change was a 5.5 cpg increase in 1997

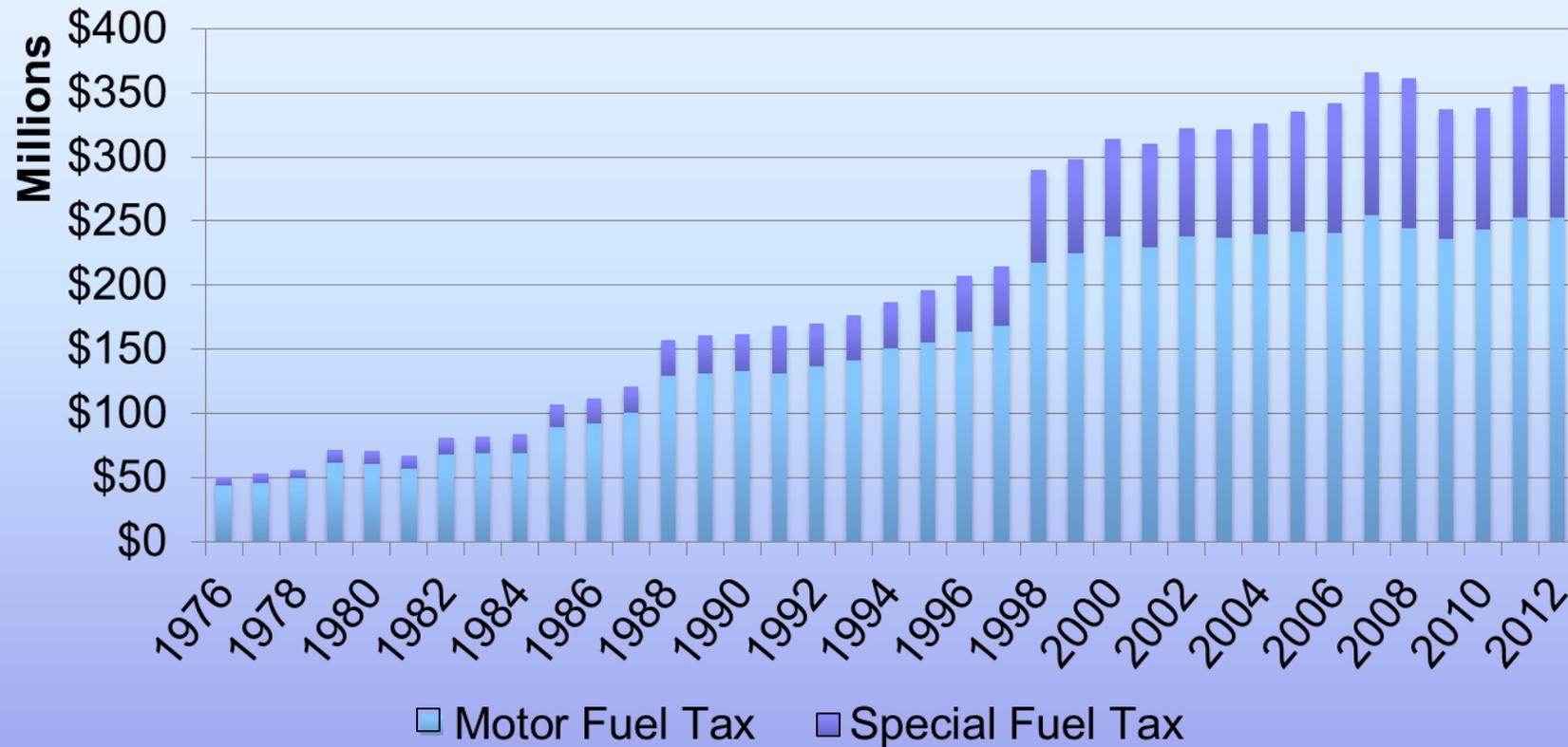
Fiscal Year	Revenue	Growth	Revenue per 1¢ of rate
2012 (actual)	\$104.1 m	0.2%	\$4.2 m
2013 (projected)	\$99.5 m	-0.5%	\$4.1 m

Fuel Tax Revenues

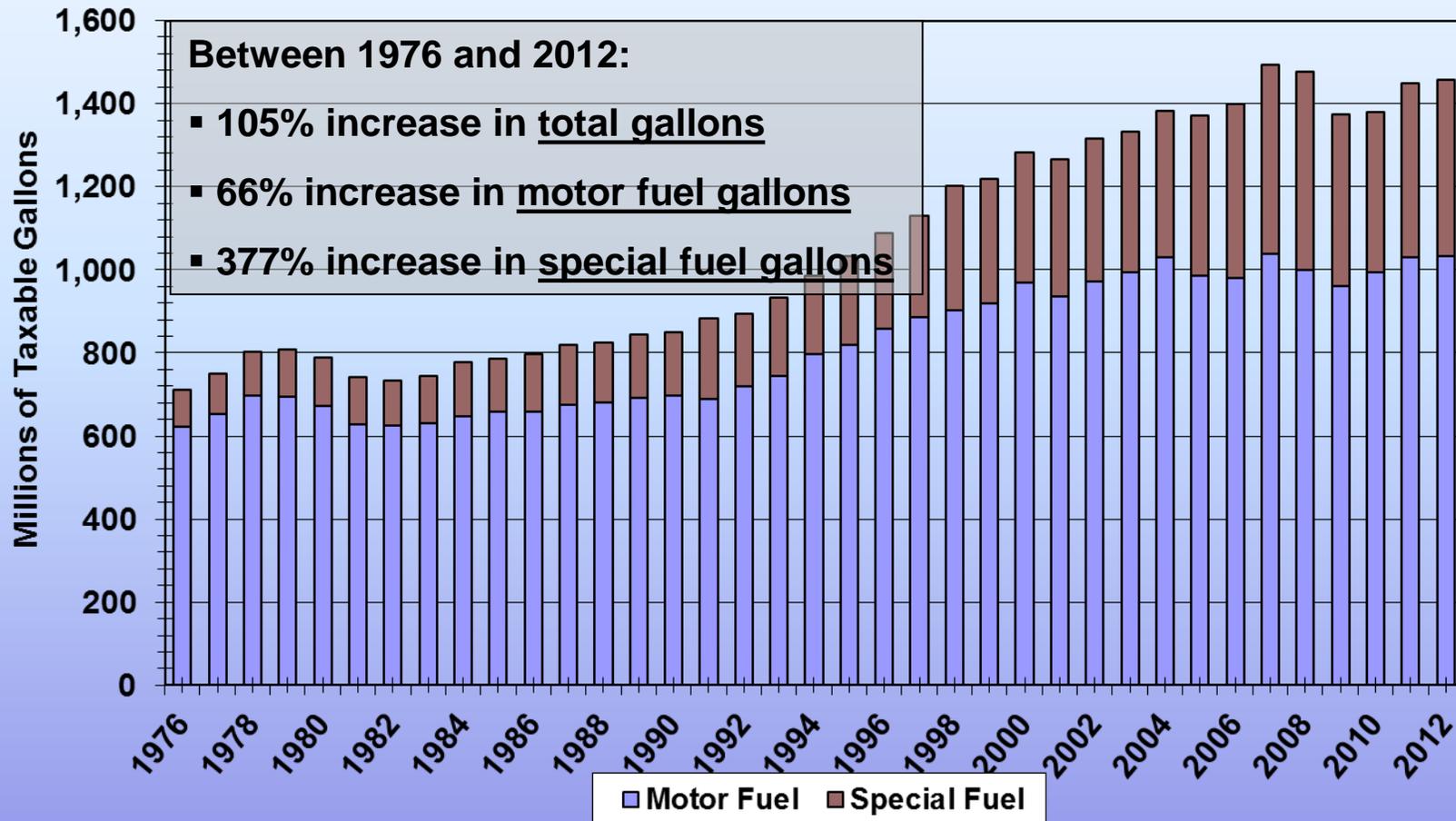


Source: Utah Department of Transportation, "Annual Statistical Summary" (1979-2012); State Tax Commission, "Annual Report"

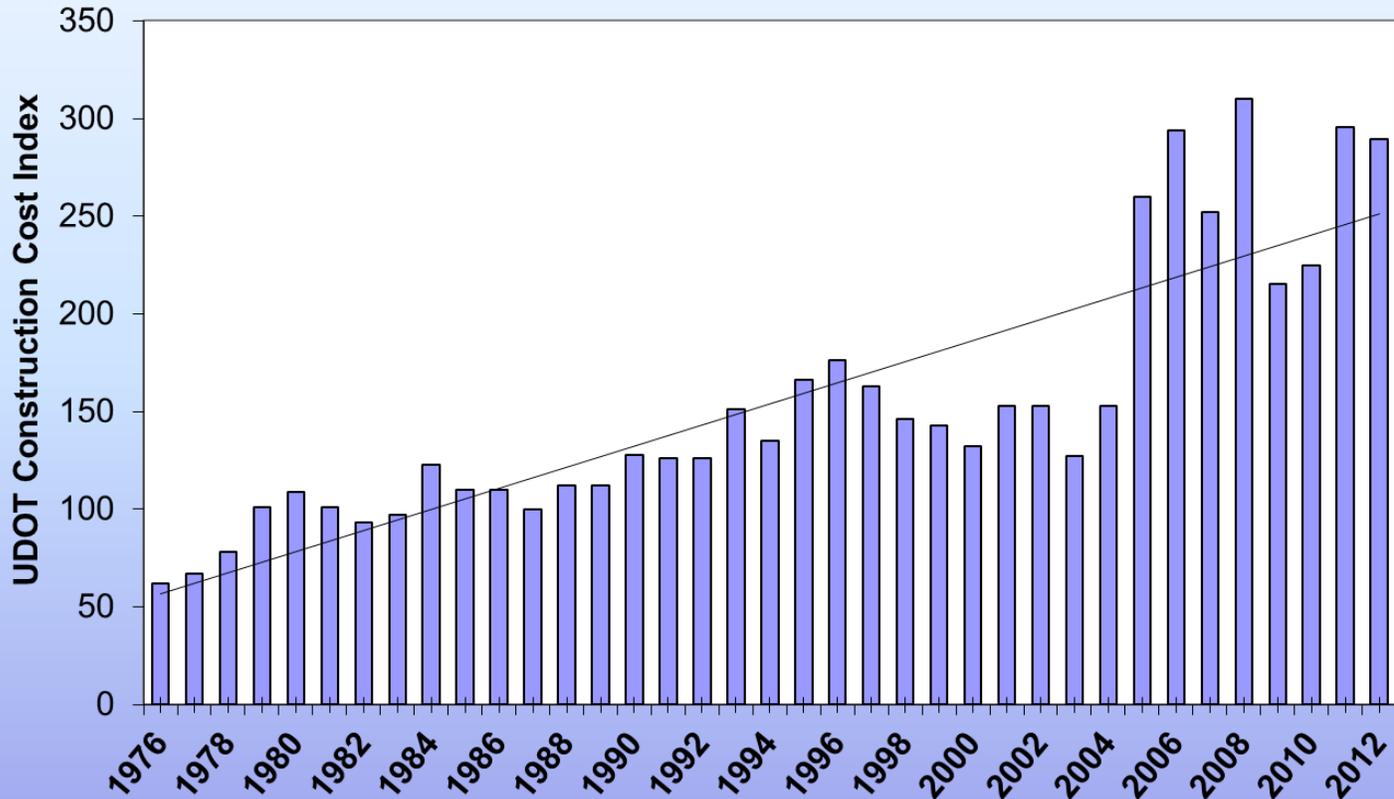
Combined Fuel Tax Revenues



Taxable Gallons of Fuel Purchased in Utah



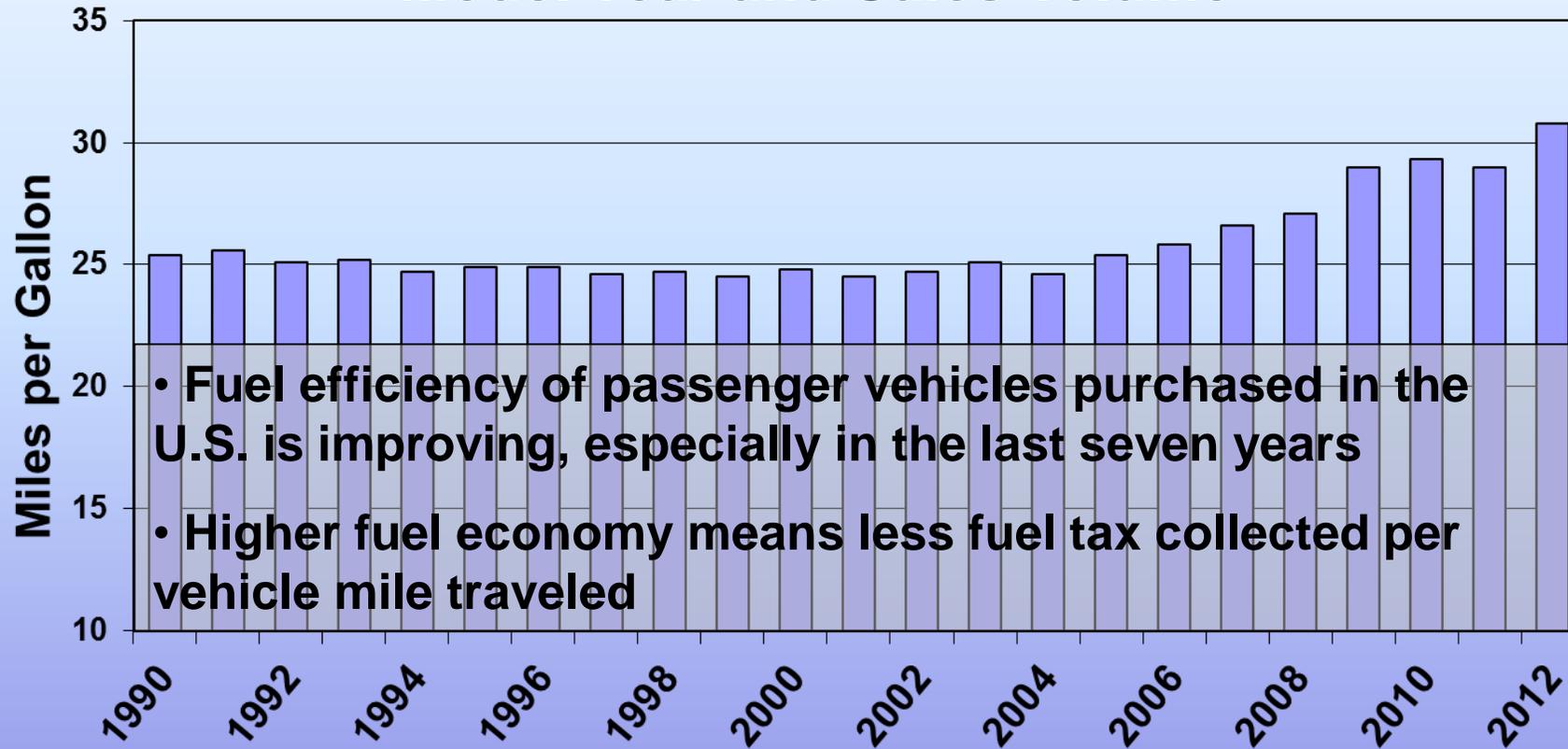
Construction Cost Increases



Source: Utah Department of Transportation, Construction Cost Index Report for 4th Quarter, 2012; Bureau of Labor Statistics

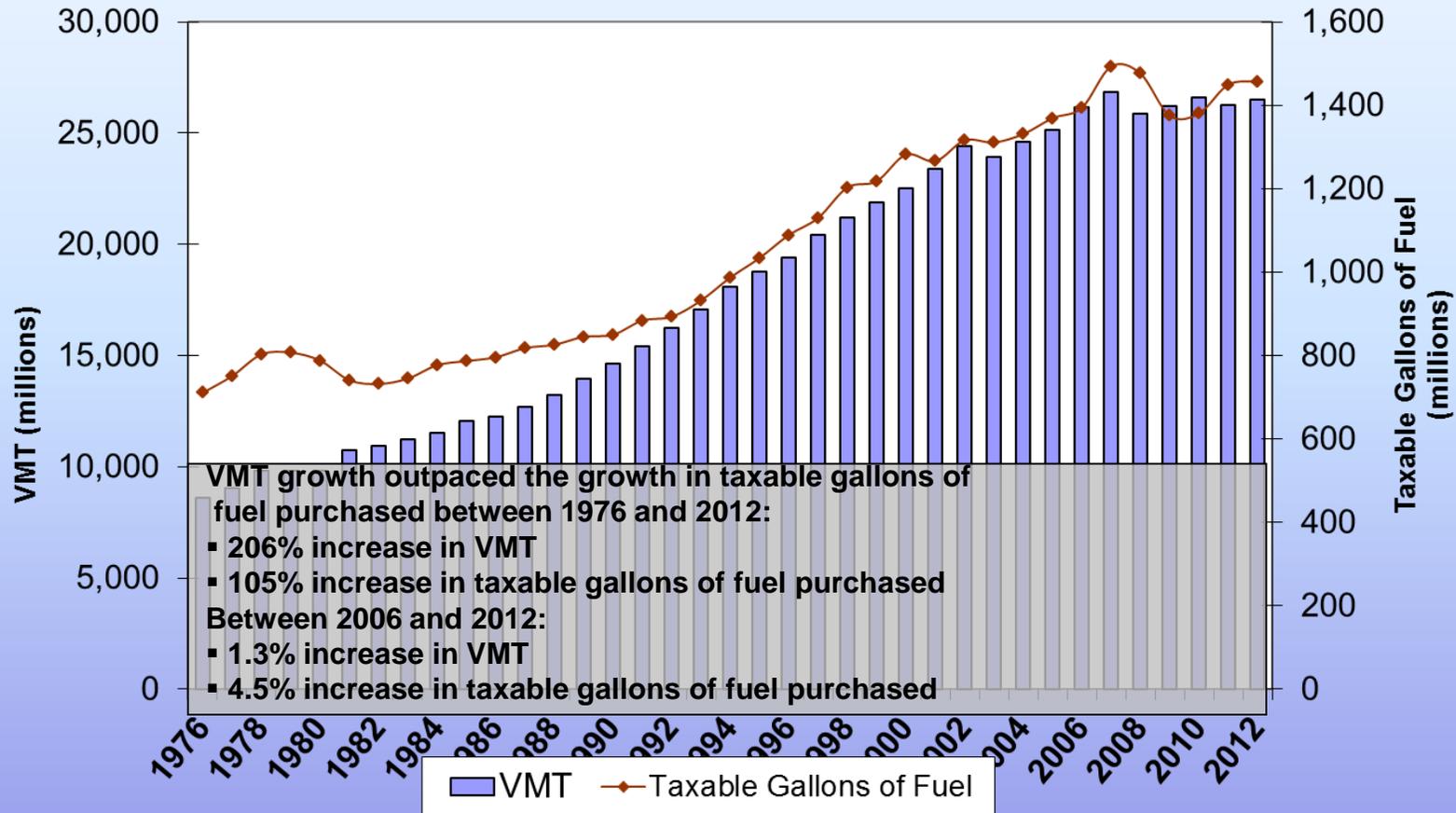
National Fuel Economy

Fuel Economy Performance Based on Model Year and Sales Volume

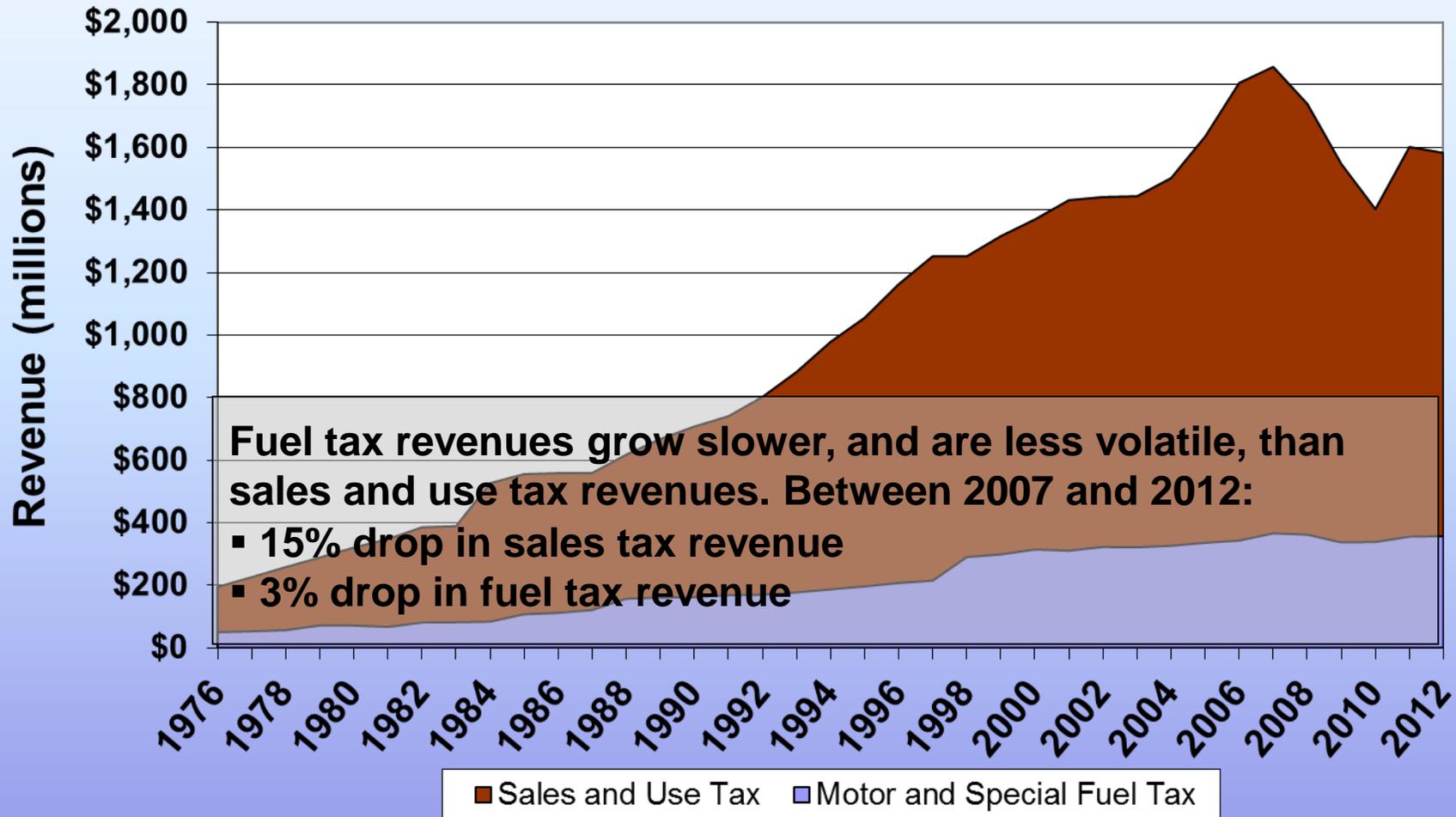


- Fuel efficiency of passenger vehicles purchased in the U.S. is improving, especially in the last seven years
- Higher fuel economy means less fuel tax collected per vehicle mile traveled

Vehicle Miles Traveled (VMT)

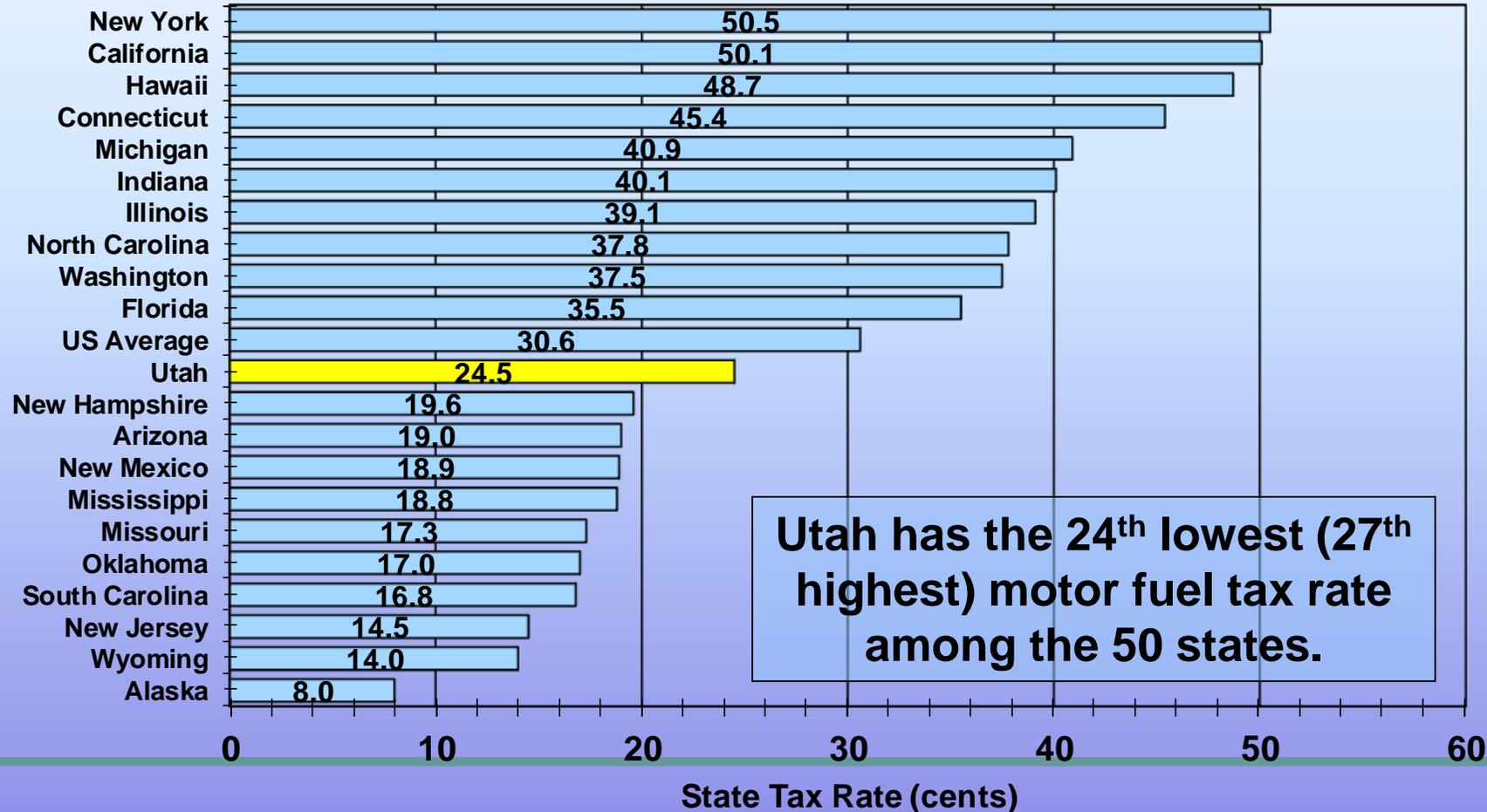


Growth of Fuel Taxes and State Sales and Use Tax



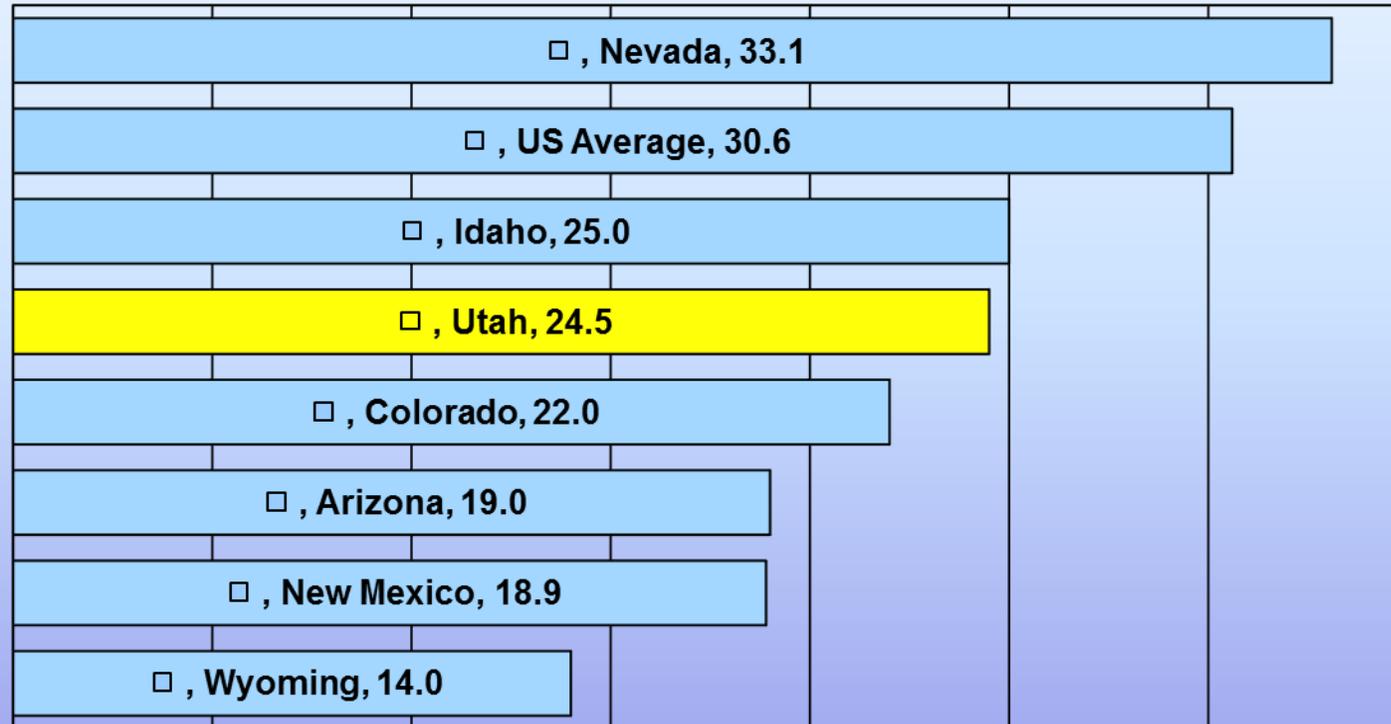
State Motor Fuel Tax Comparison

Ten Highest, US Average, Utah, and Ten Lowest State Motor Fuel Tax Rates



State Motor Fuel Tax Comparison

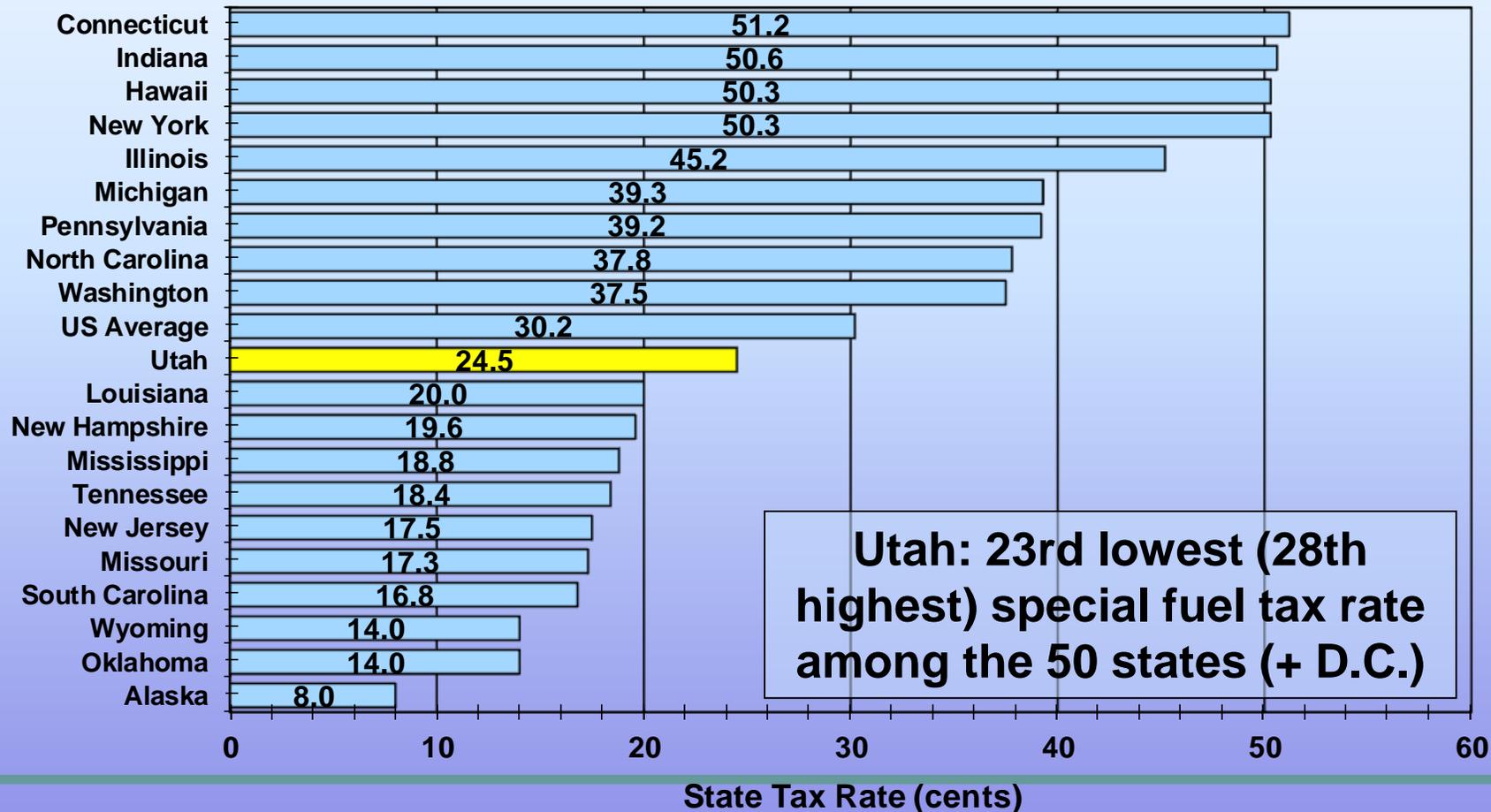
Surrounding States, US Average, and Utah



State Tax Rate (cents)

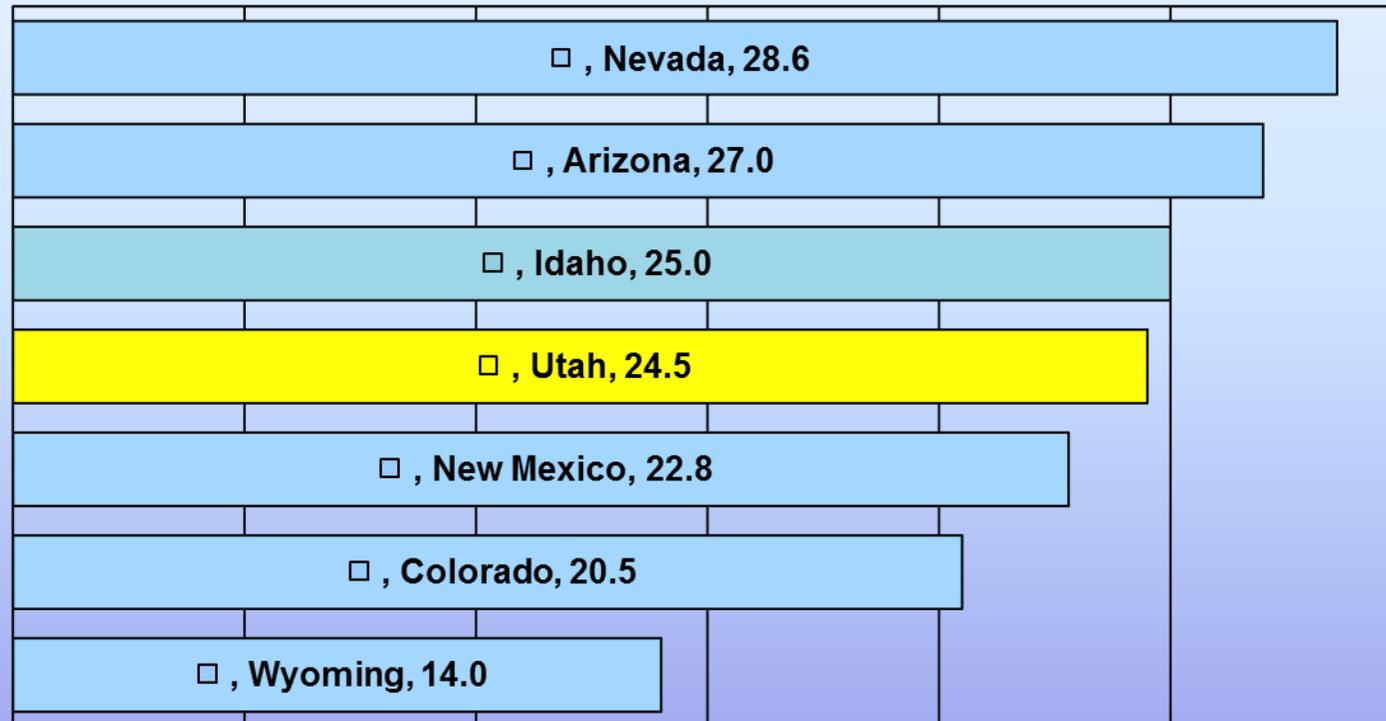
State Special Fuel Tax Comparison

Ten Highest, US Average, Utah, and Ten Lowest State Motor Fuel Tax Rates



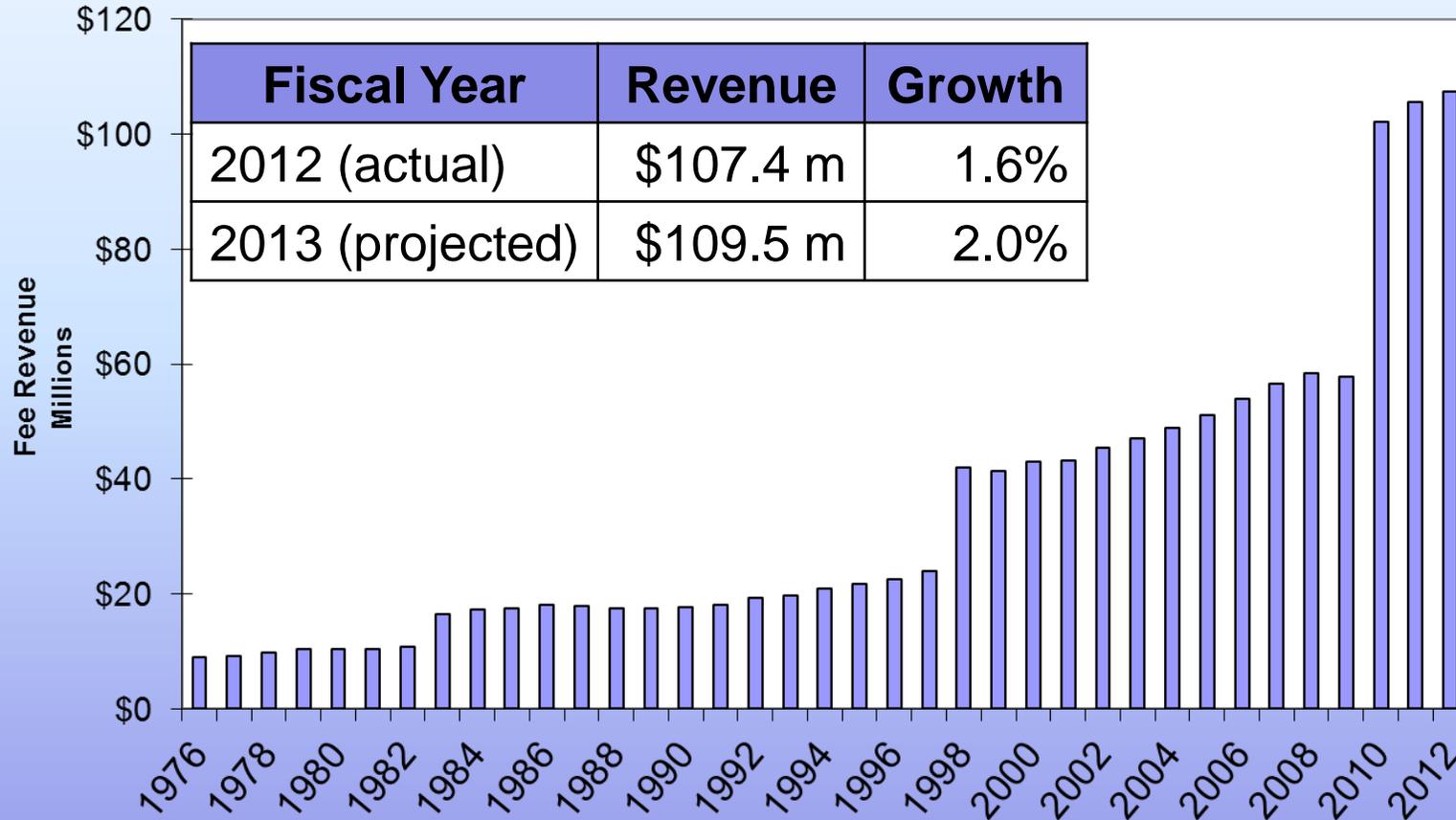
State Special Fuel Tax Comparison

Surrounding States and Utah



State Tax Rate (cents)

Vehicle Registration Fees - - Revenues, 1976 - 2012



Aviation Fuel Tax

- Imposed on all aviation fuel purchased in state
 - **9 cents** per gallon for a person other than a federally certificated air carrier
 - For a federally certificated air carrier:
 - **2.5 cents**, if purchased at Salt Lake International Airport
 - **4 cents**, if purchased somewhere other than the Salt Lake International Airport

State Sales and Use Tax Earmarks

- A specified portion of sales and use tax is transferred to one or more transportation funds

Earmark Rate	FY Year Implemented	2012 Revenue
Sales and use tax raised by 1/16% state rate	1998	\$27M
Sales and use tax raised by 1/64% state rate	2000	\$7M
8.3% of revenue collected from state sales and use tax	2007	\$159M
\$90 million lump sum	2008	\$90M
Sales and use tax raised by .025% state rate	2009	\$10M
Sales and use tax raised by .025% state rate	2009	\$10M
Sales Tax Growth Diversion, 30%	2012	\$80M*

*Estimate is based on figures in the 04/16/2013 TC-23

Local Option Sales and Use Taxes and Fees

- Public Transit Basic (.25 or .30)*
- Public Transit Additional (.25)*
- Municipal Highways or Public Transit (.25 or .30)*
- County Option Transportation (.25)*
- County Option for Highways, Fixed Guideways, or Public Transit (.30)*
- Airport, Highway and Public Transit (from .10 to .25)*
- Supplemental State Sales and Use Tax (up to .30)*
- Local Option Highway Construction and Transportation Corridor Preservation Fee (up to \$10)

Source: Utah Code, Title 59 Chapter 12 and Section 41-1a-1222.

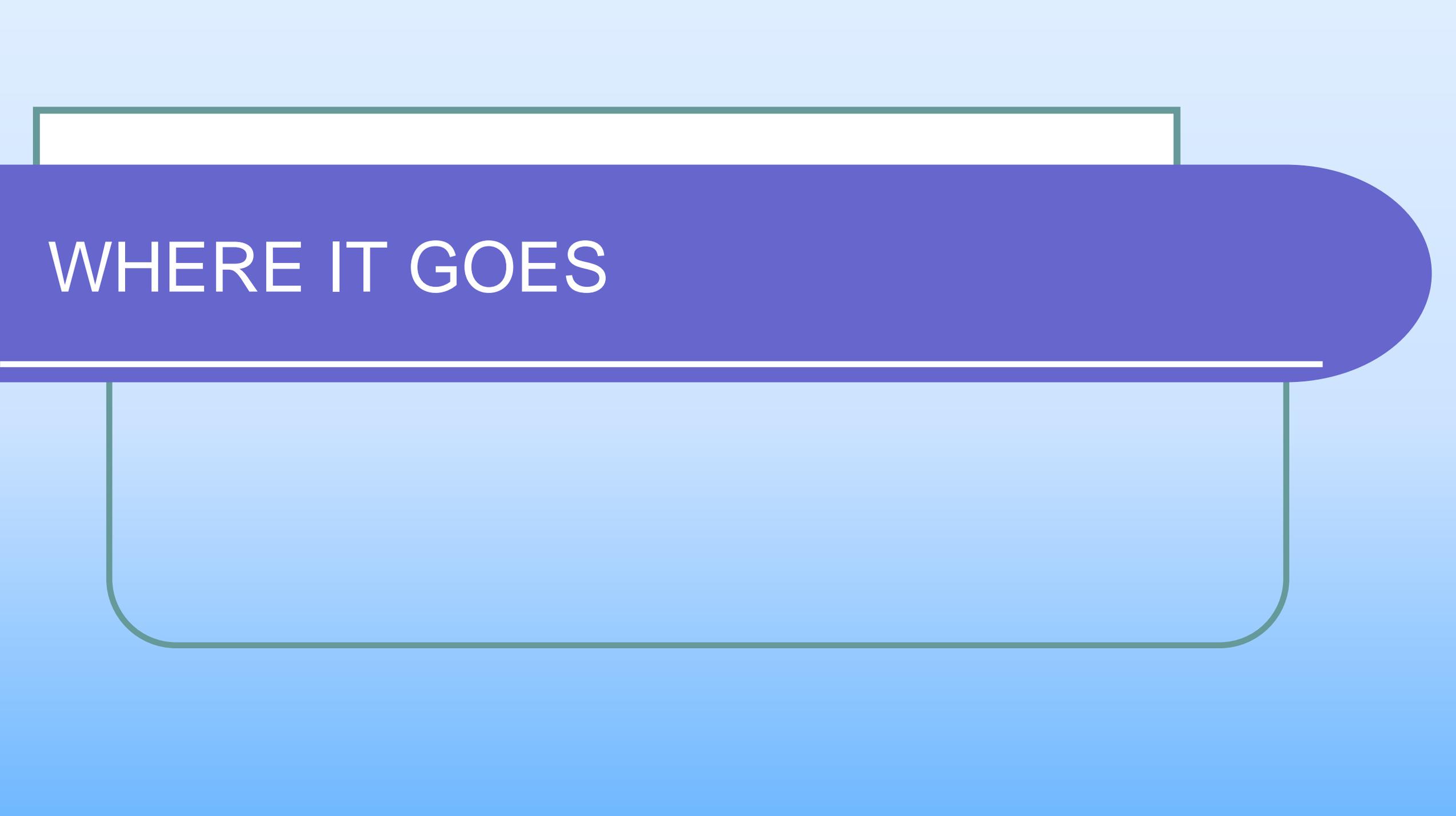
*See Local Option Sales and Use Taxes for Transportation handout for more information on this tax

Local Option Sales and Use Taxes and Fees, cont.

- Uses of Local option sales and use taxes and fees include:
 - Public transportation systems
 - Public transportation service and operation
 - Local highway projects
 - Regionally significant highway projects
 - State highway projects
 - Airport Facility projects and services
- Some taxes and fees have multiple specified uses
- In some cases, cities and counties can specify how much revenue will be expended for each specified use

Federal Funding

- Moving Ahead for Progress in the 21st Century (MAP-21) Became law July 2012
 - Provides \$105 billion for surface transportation programs for fiscal years 2013 and 2014.
 - In Fiscal year 2013, \$309.7 million was apportioned to Utah, most of it designated for use on the National Highway System, including the Interstate, any federal aid roads, and highway safety improvement
- Federal Highway Trust Fund (HTF)
 - Revenue stream, the federal gas tax, no longer provides enough money to keep the fund solvent
 - Since 2008, Congress has appropriated over \$53 billion from the general fund, and from other revenue sources, to keep the fund solvent



WHERE IT GOES

Transportation Funds

- Transportation Fund
- B and C Roads Account
- Centennial Highway Fund
- Transportation Investment Fund of 2005
- Critical Highway Needs Fund
- Marda Dillree Corridor Preservation Fund
- Local Transportation Corridor Preservation Fund
- Tollway Special Revenue Fund
- County of the First Class State Highway Projects Fund
- County of the Second Class State Highway Projects Fund
- Highway Projects within Counties Fund
- Transportation Infrastructure Loan Fund
- Aeronautics Restricted Account

Transportation Fund

- Highway user revenue:
 - Motor Fuel Tax
 - Special Fuel Tax
 - Vehicle Registration Fees
 - Proportional Registration Fees and other misc. fees
- Other revenues:
 - Sales and use tax revenue equal to an amount generated by a 1/16% tax rate
 - Sales and Use Tax revenue equal to an amount generated by a .025% tax rate (effective 01/01/09)
 - Voluntary contributions
 - Interest earned on account monies

Transportation Fund

- Transportation Fund revenues used:
 - Exclusively for highway purposes
 - As prioritized by the Transportation Commission
 - Primarily funds maintenance projects on state highways
 - .025% sales and use tax dedication is intended to address chokepoints in construction management

Transportation Fund

- **Highway user revenue** is distributed as follows:
 - 70% to UDOT
 - 30% to cities and counties (B&C Road Fund)
 - 75/25 distribution before July 1, 2007
 - Funds are used under the direction of UDOT “as the Legislature shall provide”
 - Funds are distributed to cities and counties by formula based on length of road and pavement type
 - Revenue is divided after agency transfers that are used for collection/administration and law enforcement (\$11.6 million statutory cap on transfers)

Centennial Highway Fund

- Created in 1996
- Account monies are used to pay the costs of construction, major reconstruction, or major renovation to state and federal highways
- Projects are prioritized by the Transportation Commission
- List of projects is near completion
- Any remaining bonds for Centennial Highway Fund projects are paid from Transportation Investment Fund of 2005

Centennial Highway Fund

- Revenues:
 - Voluntary contributions
 - Appropriations made by the Legislature
 - Interest earned on account monies
 - All other revenue streams transferred to the Transportation Investment Fund of 2005 (effective 7/1/12)

Transportation Investment Fund of 2005

- Created in 2005
- Account monies used for:
 - Maintenance, construction, reconstruction, or renovation to state and federal highways prioritized for new transportation capacity
 - Principal, interest, and issuance costs of the \$2.077 billion bond
 - Payment into the 2010 Salt Lake County Revenue Bond Sinking Fund the amount necessary to pay the debt service on \$30 million of the revenue bonds issued by Salt Lake County
 - Principal, interest, and issuance costs of the \$1.145 billion bond originally intended to be paid from the Critical Highway Access Needs Fund
 - Principal, interest, and issuance costs of the bonds intended to be paid from Centennial Highway Fund
- Projects are prioritized by the Transportation Commission using a written prioritization process for transportation capacity projects

Transportation Investment Fund of 2005

- Written prioritization process
 - Applies to new capacity projects with a cost over \$5,000,000
 - Projects are assigned a rank based on factors
 - Safety Factors
 - Transportation Efficiency Factors
 - Other factors such as economic development

Transportation Investment Fund of 2005

- Revenues:

- Voluntary contributions
- Appropriations made by the Legislature
- Interest earned on account monies
- Designated portion of vehicle registration fees
- Sales and use tax dedications
 - Sales and use tax revenue equal to an amount generated by a 1/64% tax rate
 - 8.3% of revenues collected from various state sales and use tax rates plus 30% of the growth in the amount of revenues collected in the current fiscal year that exceeds the amount collected from the sales and use taxes in the 2010-11 fiscal year (amount capped at 17% of the total sales and use tax)
 - \$90,000,000 of the sales and use tax revenue
 - Sales and use tax revenue equal to an amount generated by a .025% tax rate
- 5 cents per gallon of the motor fuel tax
- Unspent monies from the Centennial Highway Fund (CHF) and Critical Highway Needs Fund (CHNF)

Critical Highway Needs Fund

- Created in 2007
- Account monies used for right-of way acquisition, maintenance, construction, reconstruction, or renovation to state and federal highways identified by UDOT
- Projects are prioritized by the Transportation Commission
 - Eligible projects include:
 - A project that is a high priority due to high growth in the surrounding area
 - A project that addresses critical access needs that have a high impact due to commercial and energy development
 - A project that mitigates congestion
 - A project where local matching funds are available
 - A project that is a critical alternative route for priority Interstate 15 reconstruction projects

Critical Highway Needs Fund

- Revenues:
 - Voluntary contributions
 - Appropriations made by the Legislature
 - Interest earned on account monies
 - All other revenue streams transferred to the Transportation Investment Fund of 2005 (effective 7/1/12)
- Bonds for highway projects may not exceed **\$1.145 billion**
 - Bond authorized at \$1.2 billion and reduced by \$55 million to \$1.145 billion in 2013

Marda Dillree Corridor Preservation Fund

- Created in 1996 as a revolving loan fund
- Transportation Commission authorizes the expenditure of monies to acquire real property for state, county, and municipal highway corridors
- Fund moneys must be used for projects that:
 - Preserve transportation corridors
 - Promote long-term statewide transportation planning;
 - Save on acquisition costs
 - Promote the best interest of the state in a manner which minimizes impact on prime agricultural land

Marda Dillree Corridor Preservation Fund

- Revenues:
 - Voluntary contributions
 - Appropriations made by the Legislature
 - Interest earned on account monies
 - **2.5% tax rate on all short-term leases and rentals of motor vehicles not exceeding 30 days**
 - Repayments to the fund
 - Rents and sales of real property acquired with fund monies
 - General obligation bond proceeds

Local Transportation Corridor Preservation Fund

- Created in 2005
- UDOT authorizes the expenditure of monies to acquire real property for state, county, and municipal highway corridors within the county where the fee is imposed
- Purposes:
 - Preserve transportation corridors
 - Promote long-term statewide transportation planning
 - Save on acquisition costs
 - Promote the best interest of the state in a manner which minimizes impact on prime agricultural land

Local Transportation Corridor Preservation Fund

- **Revenues:**

- Voluntary contributions
- Appropriations made by the Legislature
- Interest earned on account monies
- Repayments to the fund
- Rents and sales of real property acquired with fund monies
- General obligation bond proceeds
- Up to \$10 fee on motor vehicle registration within county
 - Salt Lake County keeps 30% of fee
- Designated portion of County Option Sales and Use Tax for Transportation (up to .25% tax rate)*
- Portion of the Airport, Highway and Public Transit Sales and Use Tax (.05% tax rate, effective 01/01/09)*

Source: Utah Code, Sections 72-2-117.5, 41-1a-1222, 59-12-2217, and 59-12-2218

*See Local Option Sales and Use Taxes for Transportation handout for more information on this tax

Tollway Special Revenue Fund

- Created in 2006
- Used by UDOT, as authorized by the Transportation Commission, to establish and operate tollways and related facilities
- Revenues:
 - Voluntary contributions
 - Appropriations made by the Legislature
 - Interest earned on account monies
 - Tolls collected from the High Occupancy Toll Lane
 - Funds received through a tollway development agreement

County of the First Class State Highway Projects Fund

- Created in 2001 (originally called Public Transportation System Tax Highway Fund)
- Used by UDOT for:
 - Right-of-way acquisition, new construction, major renovations, and improvements to state highways within a county of the first class
 - Debt service and issuance costs for bonds issued for various state and local highway projects within Salt Lake County
- Revenues:
 - Voluntary contributions
 - Interest earned on account monies
 - 50% of \$10 local option fee on motor vehicle registration within Salt Lake County (until 7/1/13)
 - 20% of Public Transit Additional (.25% tax rate)*
 - Designated portion of County Option Sales and Use Tax for Transportation (.25% tax rate)*

Source: Utah Code, Sections 72-2-121, 72-2-124, 41-1a-1222, 59-12-2214, and 59-12-2217

*See Local Option Sales and Use Taxes for Transportation handout for more information on this tax

County of the Second Class State Highway Projects Fund

- Created in 2008
- Used by UDOT for right-of-way acquisition, new construction, major renovations, and improvements to state highways within a county of the second class
- Revenues:
 - Voluntary contributions
 - Interest earned on account monies
 - Designated portion of the Airport, Highway and Public Transit Sales and Use Tax (up to .20% tax rate, effective 01/01/09)*

Source: Utah Code, Sections 72-2-121.2 and 59-12-2218

*See Local Option Sales and Use Taxes for Transportation handout for more information on this tax

Highway Projects Within Counties Fund

- Created in 2003
- Used by:
 - UDOT for state highway projects within the county
 - County for local highway of regional significance projects
- Revenues:
 - Interest earned on account monies
 - Designated portion of County Option for Highways, Fixed Guideways, or Public Transit (.30% tax rate)*

Source: Utah Code, Sections 72-2-121.1 and 59-12-2216

*See Local Option Sales and Use Taxes for Transportation handout for more information on this tax

Transportation Infrastructure Loan Fund

- Created as a revolving loan fund
- Used by the department, as prioritized by the Transportation Commission, only to:
 - provide infrastructure loans or infrastructure assistance; and
 - pay the department for the costs of administering the fund, providing infrastructure loans or infrastructure assistance, monitoring transportation projects, and obtaining repayments of infrastructure loans or infrastructure assistance
- Revenues:
 - Appropriations to the fund by the Legislature
 - Federal money and grants deposited in the fund
 - Money transferred to the fund by the commission from other available money
 - State grants deposited in the fund
 - Contributions from public or private sources
 - Money collected from repayments

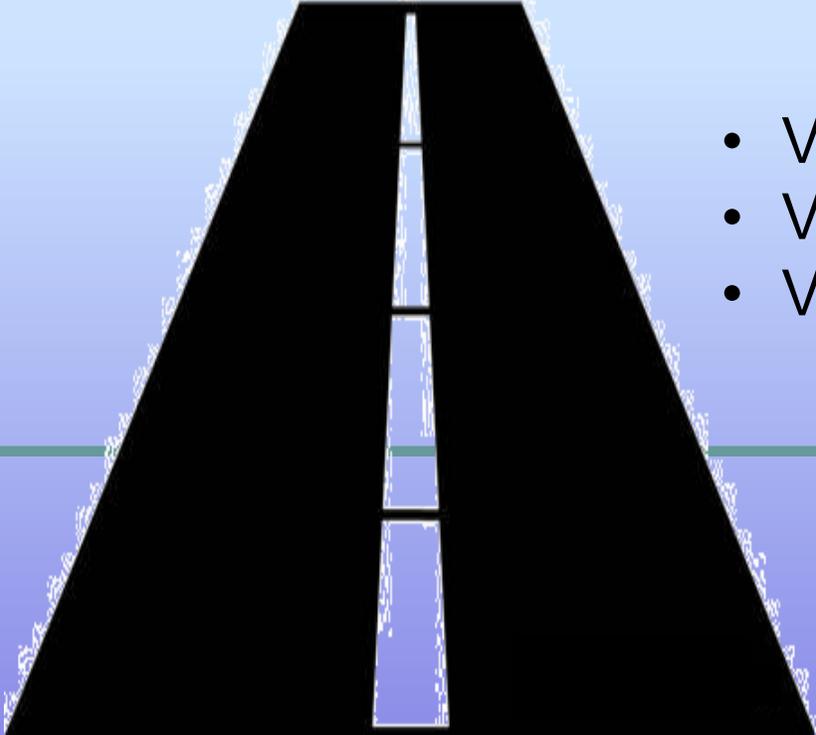
Aeronautics Restricted Account

- Administered by UDOT for:
 - Construction, improvement, operation and maintenance of publicly used airports
 - Operation of the Division of Aeronautics
 - Indebtedness incurred for purposes
 - Promotion of aeronautics in the state
 - Expenses and costs of UDOT in duty of regulating and supervising aeronautics in the state
 - The support of aerial search and rescue operations
- Funds may not be used to subsidize direct operating costs of travel for purposes other than those described above

Aviation Fuel Tax Distribution

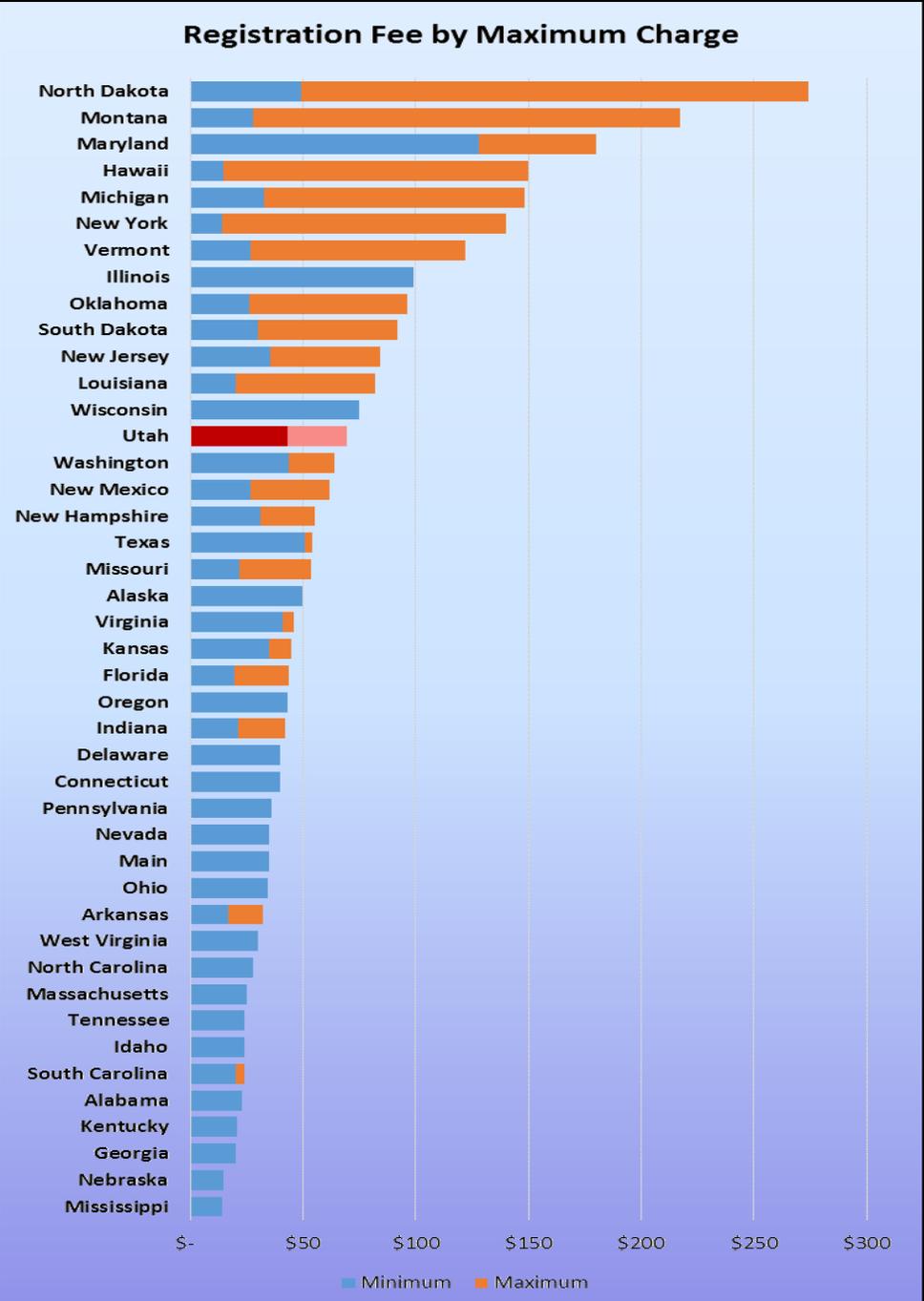
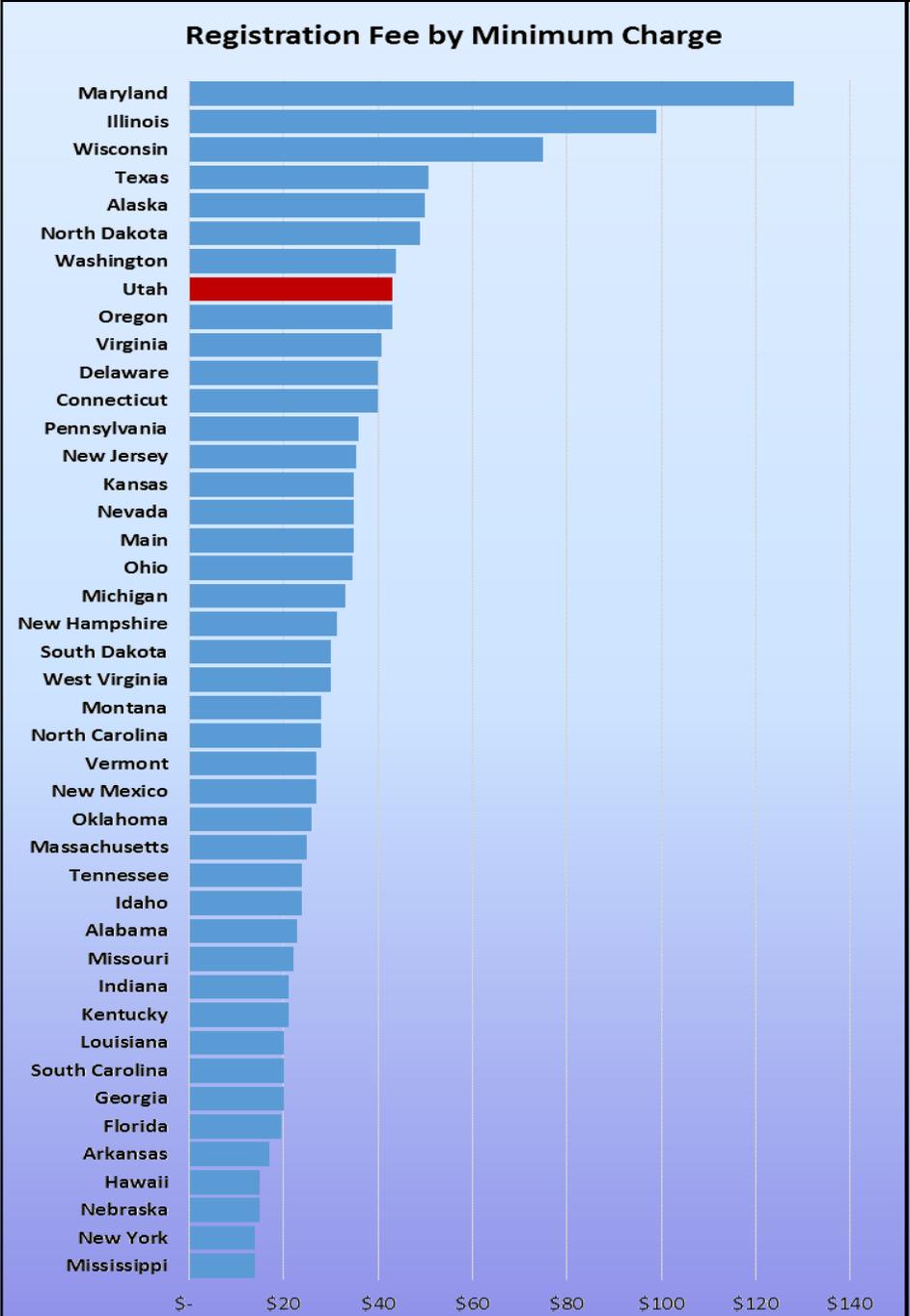
Type of Air Carrier and Location of Purchase	Tax Allocation per Gallon to Airport	Tax Allocation per Gallon to Aeronautics Restricted Account	Total Tax Collected per Gallon
Federally Certificated Air Carrier at Salt Lake Int'l Airport	\$.015	\$.01	\$.025
Federally Certificated Air Carrier other than at Salt Lake Int'l Airport	\$.03	\$.01	\$.04
Non-federally Certificated Air Carrier at Salt Lake Int'l Airport	\$.00	\$.09	\$.09
Non-federally Certificated Air Carrier other than at Salt Lake Int'l Airport	\$.03	\$.06	\$.09

Future Options

- 
- Variable Registration Fees
 - Variable Fuel Tax Options
 - Vehicle Miles Travelled Tax

Variable Registration Fees





Source: Office of Legislative Research and General Counsel; Analysis of data from the National Conference of State Legislatures', AAA's Digest of Motor Laws, 2011, and State Motor Vehicle websites'.

Variable Registration Fees

Assessed by Weight

- Class System (Utah)
- Per-Pound System

- Arkansas
- Colorado
- Florida
- Hawaii
- Iowa
- Kansas
- Maryland
- New Hampshire

- New Jersey
- North Dakota
- New York
- Rhode Island
- Texas
- **Utah (14-1a-1206)**
- Virginia
- Washington



Variable Registration Fees

Assessed by Vehicle Emissions

- Class System
- Benchmark System
 - United Kingdom
 - France
 - Spain
 - Switzerland



Variable Registration Fees

Other Methods

- **Vehicle Type**
 - California
 - Vermont (by fuel type)
- **Engine size**
 - Arkansas (motorcycles)
- **Horse Power**
 - Missouri
- **Years Registered**
 - Oklahoma
 - North Dakota
- **Driver Age**
 - South Carolina
 - South Dakota
- **Vehicle Age**
 - Iowa
 - Idaho
 - Montana
 - New Jersey



Variable-Rate Fuel Taxes

Based on Economic Indicators

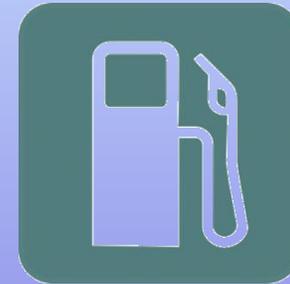
- Replaces traditional gas tax
- Possible Index Variables
 - Consumer price index
 - Inflation
 - Price of gasoline



Variable-Rate Fuel Taxes

Based on Price of Gasoline

- Inverted strategy
- Indexed strategy



Variable-Rate Fuel Taxes

Based on DOT Needs

- Ensures DOT is funded
- Annual estimates for long-term capitol improvements
- Calculate needed revenues
- Set tax rate accordingly



Variable-Rate Fuel Taxes

Local Option Tax

- Option given to municipalities and/or counties
- Scope:
 - Cents per gallon
 - % of sale
 - Other methods discussed
 - Florida
 - Georgia
 - Illinois
 - New York

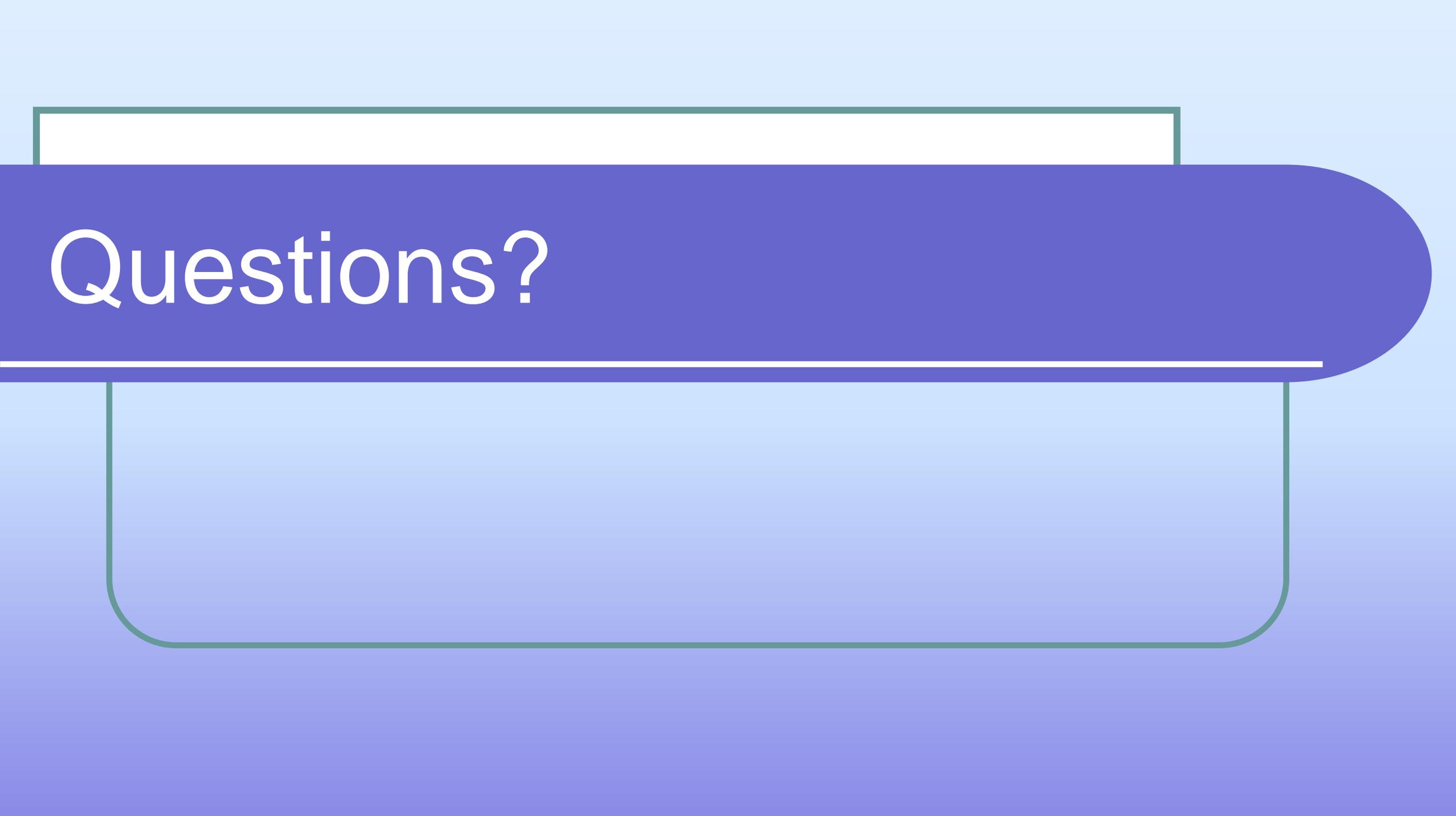


Vehicle-Miles Travelled Tax

- Electronic Monitoring
 - GPS Tracking Device
 - On-board computer
- Odometer Self-Reporting

- Oregon
- Illinois (Trucks Only)
- Germany (Trucks Only)
- Austria (Trucks Only)
- Slovakia (Trucks Only)
- Switzerland (Trucks Only)





Questions?