

# Transportation Funding in Utah

WHERE IT COMES FROM  
AND WHERE IT GOES



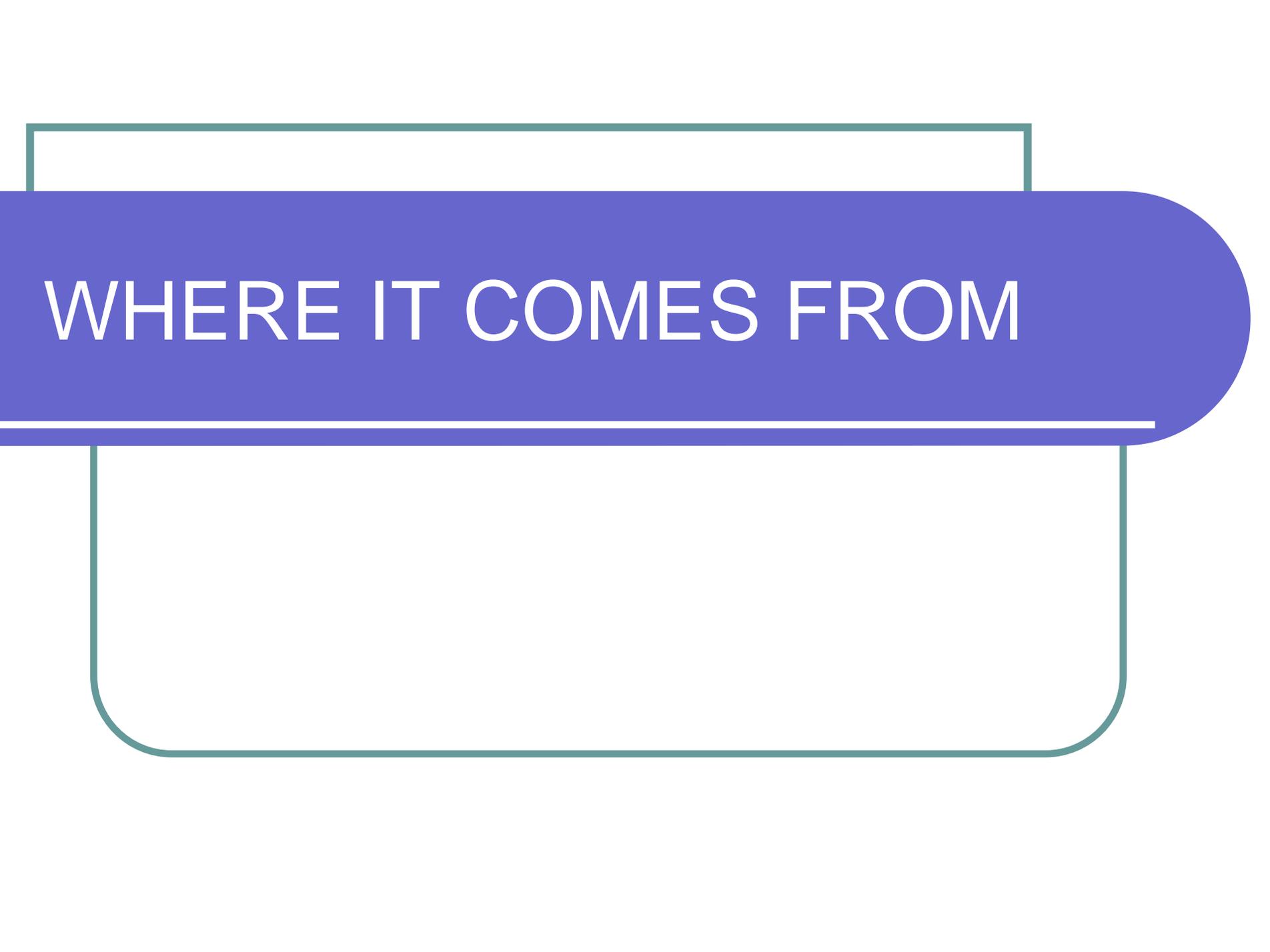
---

Prepared by the Office of Legislative Research and General Counsel (02•03•09)

Michael E. Christensen, *Director* • John L. Fellows, *General Counsel*  
Utah State Capitol Complex, House Building Suite W210  
Salt Lake City, Utah 84114-5210  
(801)538-1032 • fax (801)538-1712 • <http://le.utah.gov>

# Overview

- Where Transportation Funding Comes From
  - State user fees
  - State Sales and Use Tax Earmarks
  - General Fund Appropriations
  - Local Option Sales and Use Taxes and Fees
  - Aviation Fuel Tax
  - Federal Funding
- Where Transportation Funding Goes
  - Transportation Fund
  - Centennial Highway Fund
  - Transportation Investment Fund of 2005
  - Critical Highway Needs Fund
  - Other Funds



WHERE IT COMES FROM

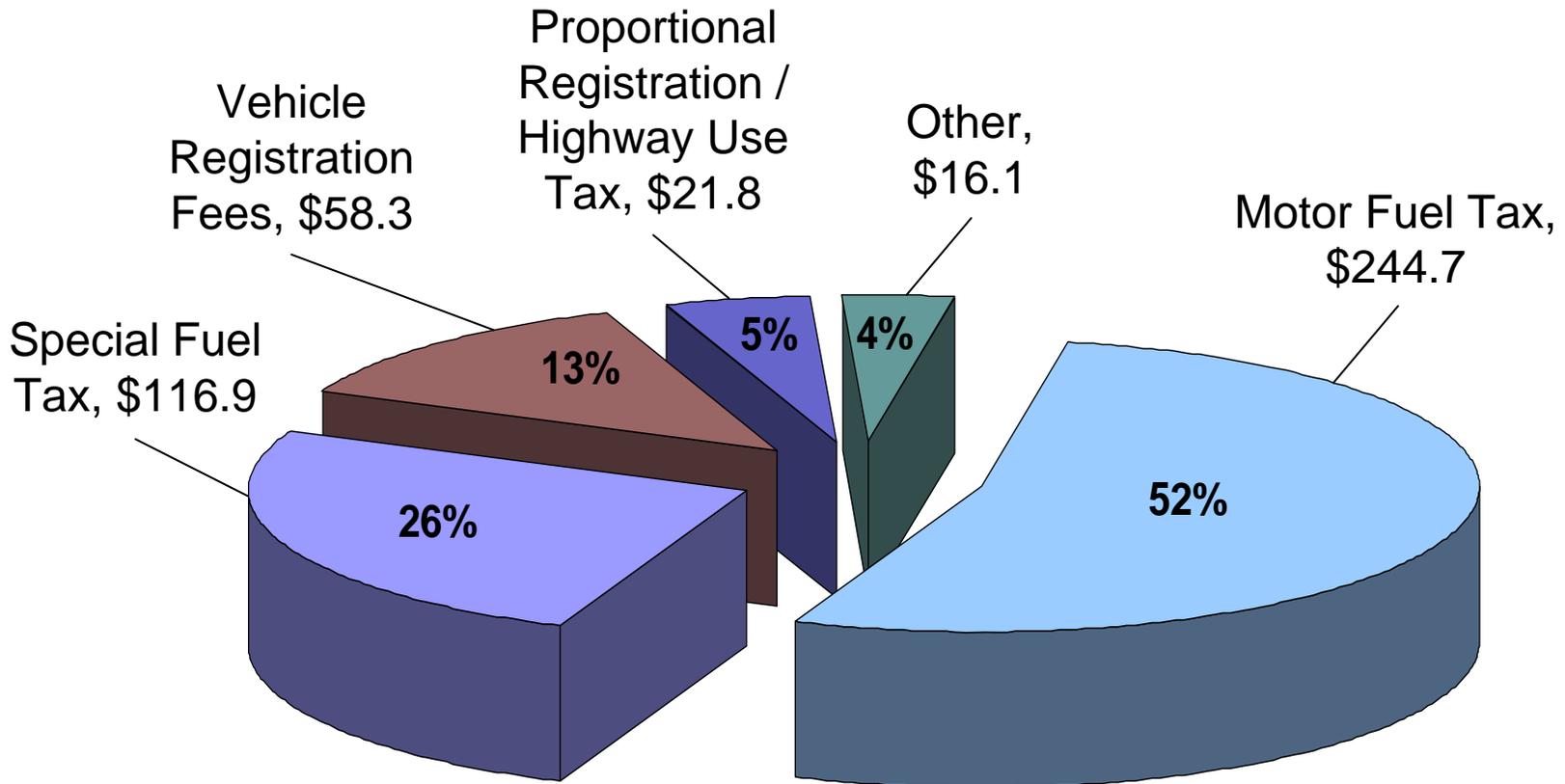
# User Fees

- Since 1961, the Utah Constitution has provided that the proceeds of any tax or fee related to the operation of a motor vehicle on a highway must be used for **highway purposes**, excluding costs of collection and administration, driver education, and enforcement of motor vehicle and traffic laws.

# User Fees

- Motor fuel tax
- Special fuel tax
- Vehicle registration fees
- Proportional registration
- Highway use tax
- Special transportation permits
- Motor vehicle control fees
- Safety inspection fee
- Temporary permit fees

# FY 2008 User Fee Revenue (millions)



Total Revenue: \$457,821,292

# 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

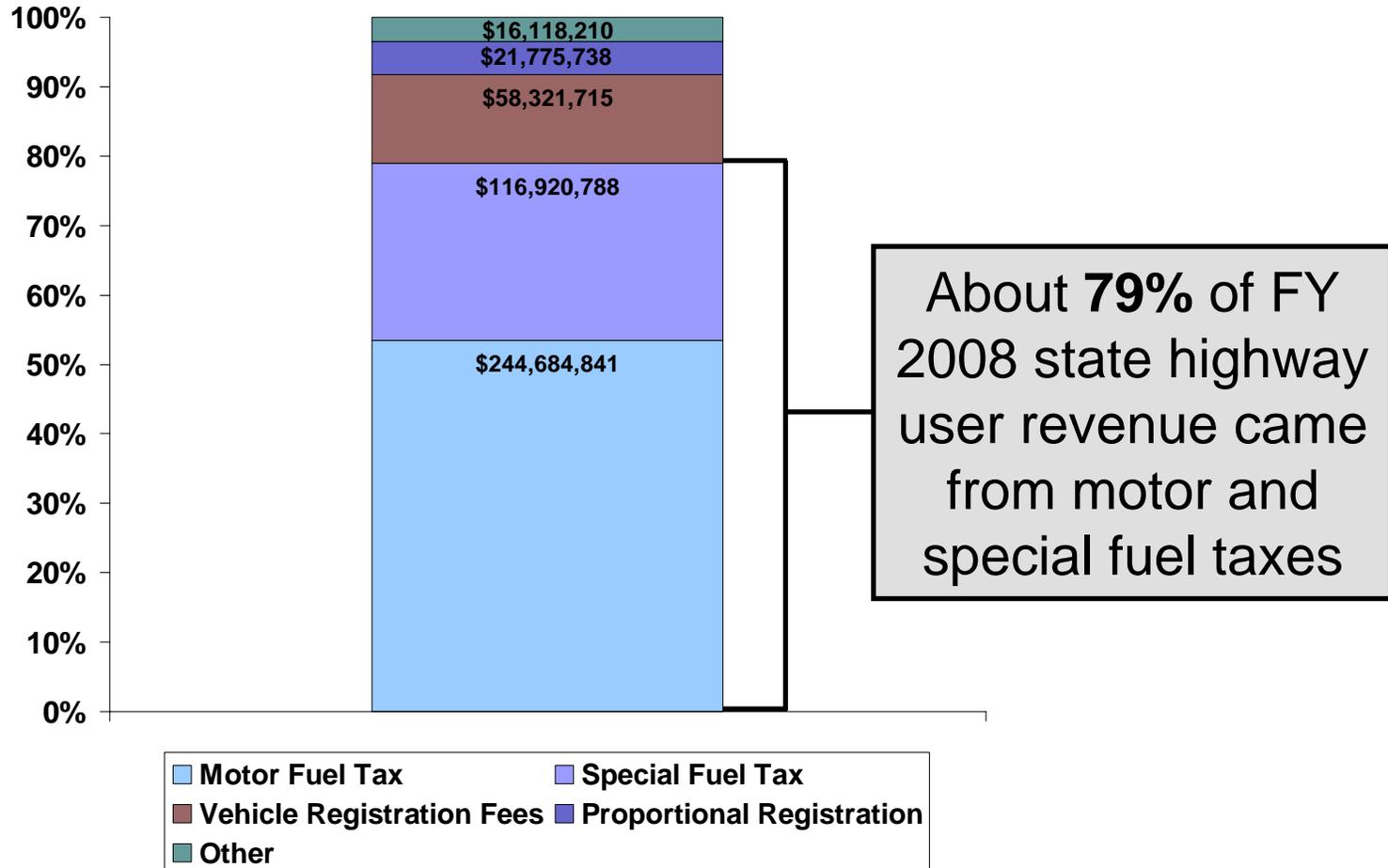
<b>Fiscal Year</b>	<b>Revenue</b>	<b>Growth</b>	<b>Revenue per 1¢ of rate</b>
2008 (actual)	\$244.7 m	-3.9%	\$10.0 m
2009 (projected)	\$242.0 m	-1.1%	\$9.9 m

# Special Fuel Tax

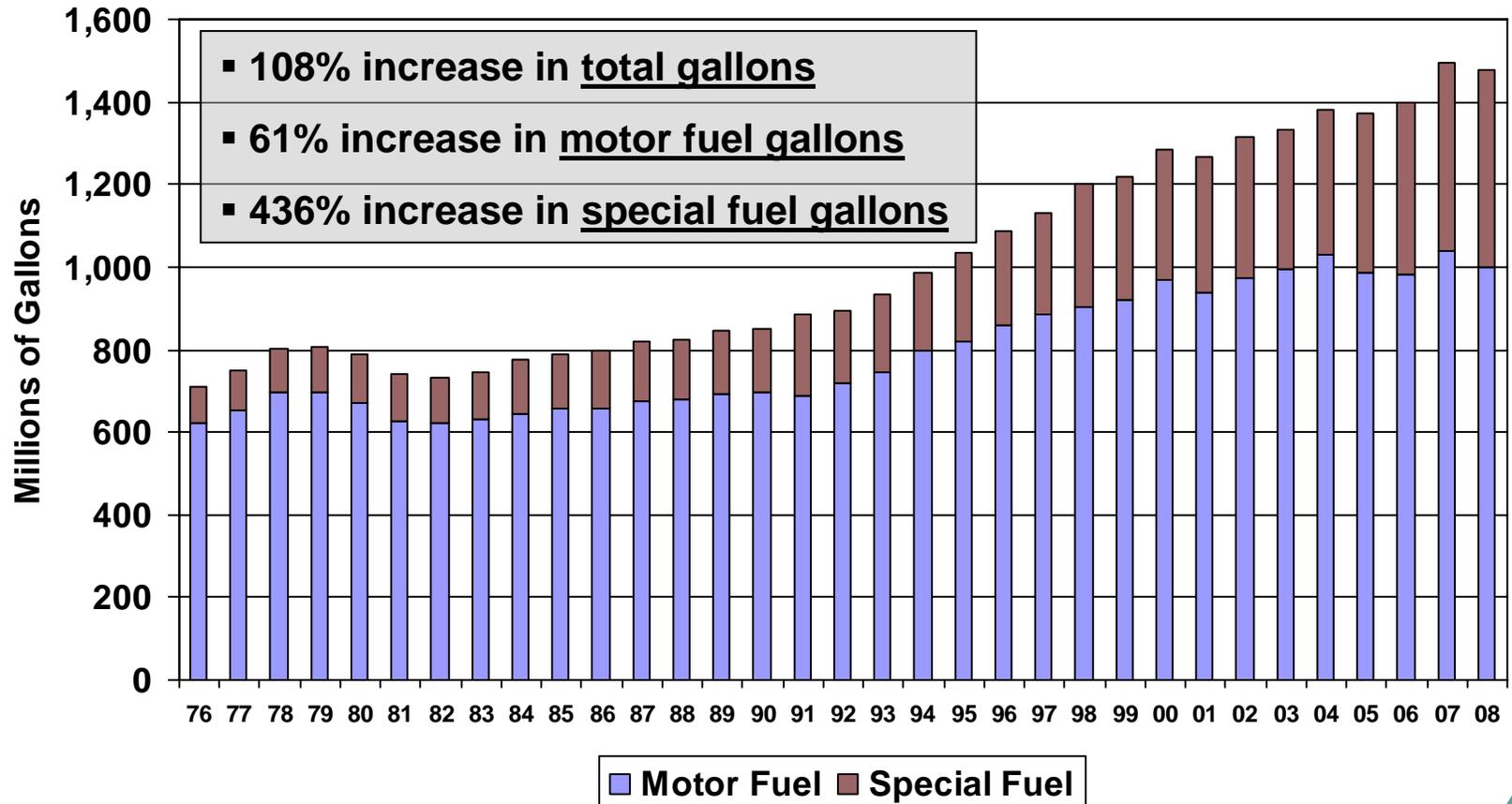
- Special Fuel = any fuel used to operate a vehicle on public highways other than aviation and motor fuels **including diesel fuel**
- Rate: 24.5 cpg
- Last rate change was a 5.5 cpg increase in 1997

Fiscal Year	Revenue	Growth	Revenue per 1¢ of rate
2008 (actual)	\$116.9 m	5.2%	\$4.8 m
2009 (projected)	\$119.5 m	2.2%	\$4.9 m

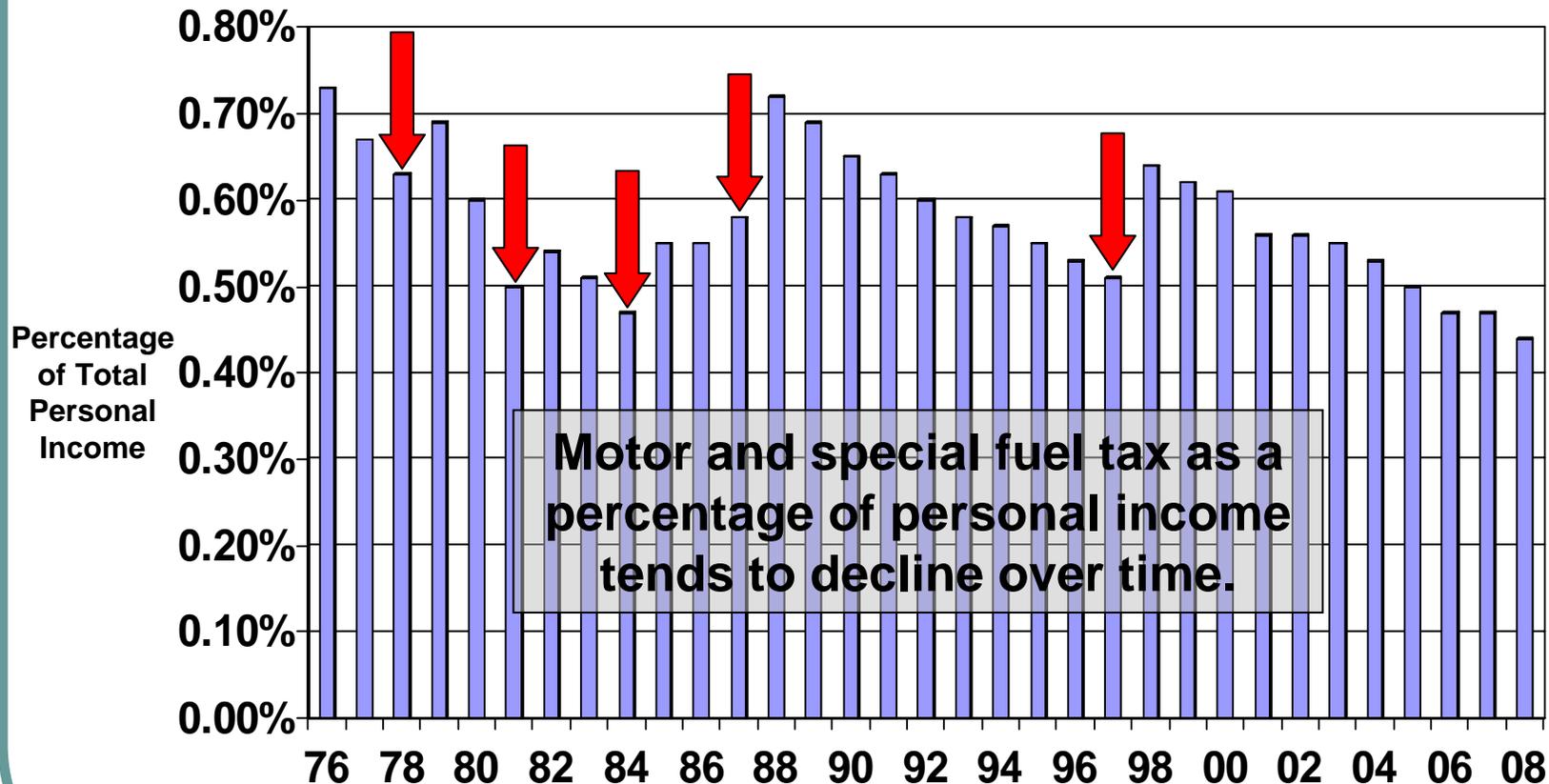
# Motor and Special Fuel Tax



# Fuel Consumption in Utah

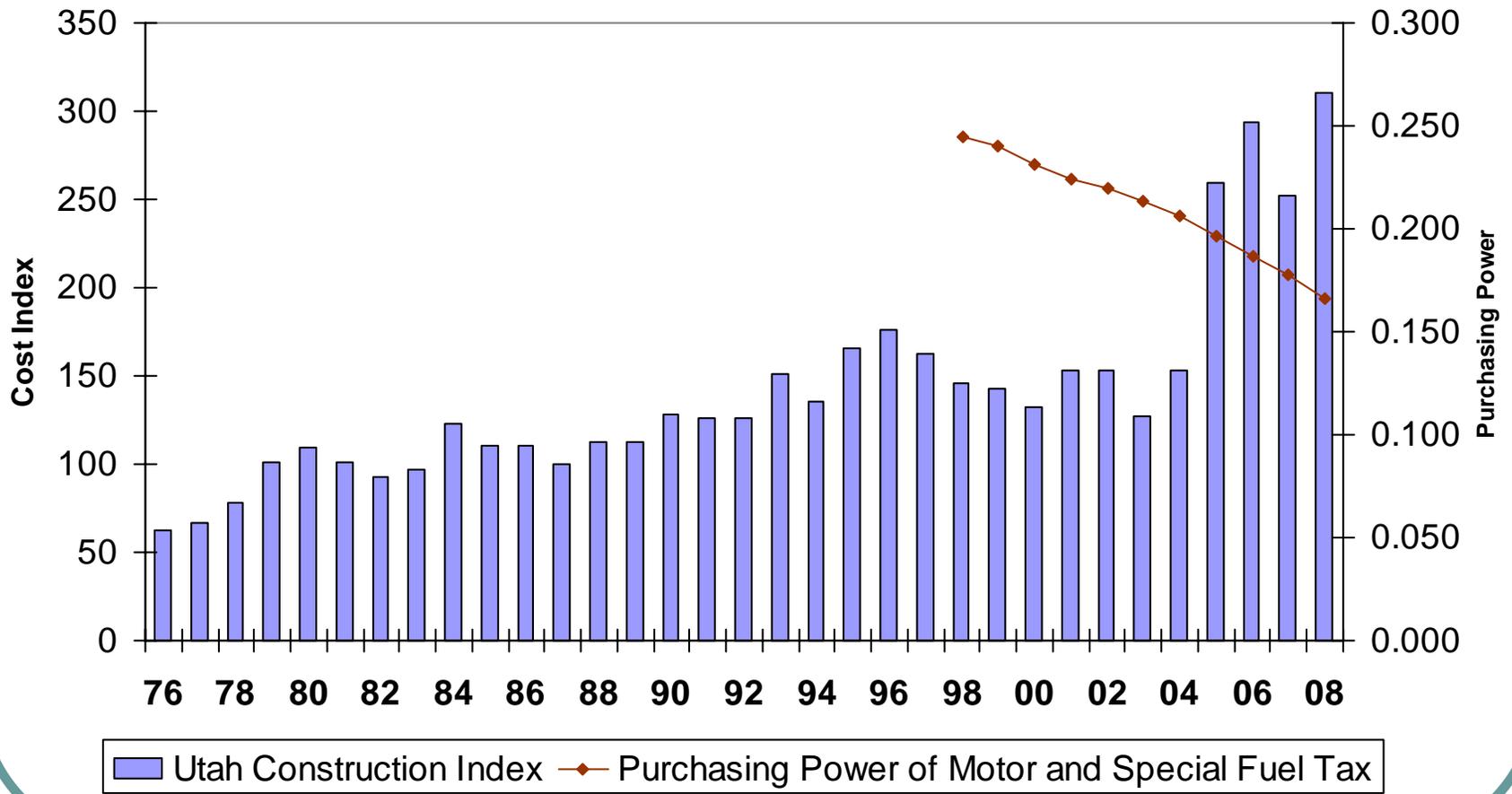


# Motor and Special Fuel Tax as a Percentage of Personal Income

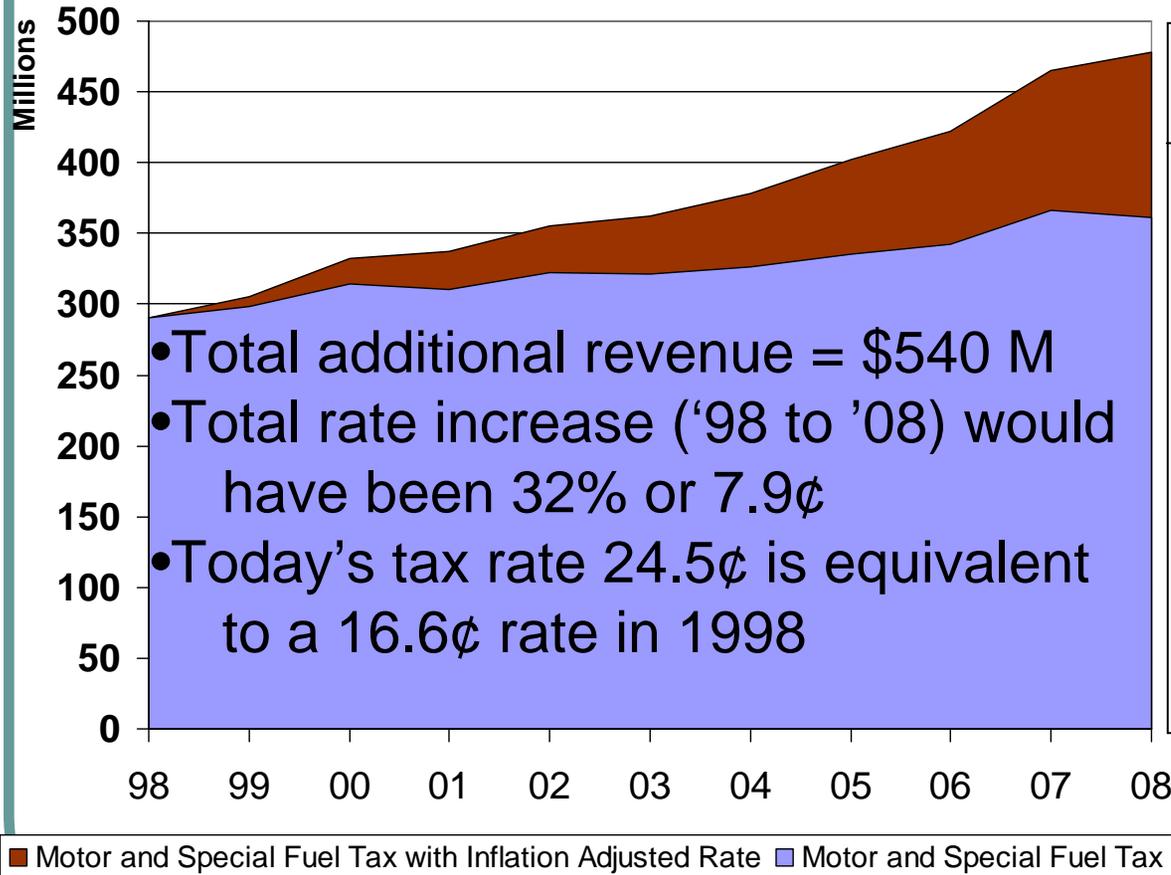


↓ Indicates that a fuel tax increase was implemented

# Construction Material Costs and Purchasing Power



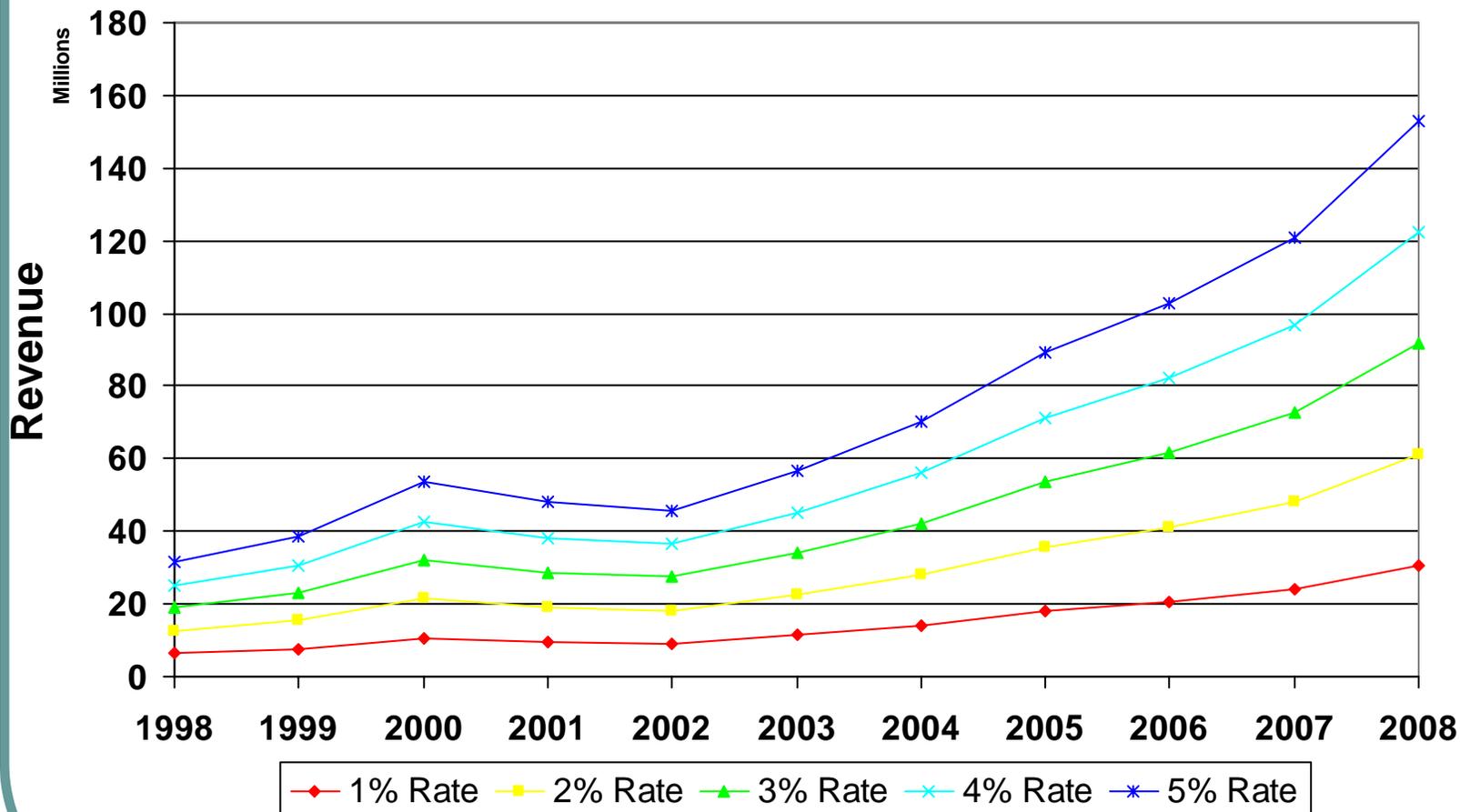
# Motor and Special Fuel Taxes



FY	Additional Revenue	Rate
1999	\$6M	.250
2000	\$18M	.259
2001	\$26M	.266
2002	\$33M	.270
2003	\$41M	.277
2004	\$52M	.284
2005	\$66M	.294
2006	\$81M	.303
2007	\$100M	.312
2008	\$116M	.324

Note: Inflation adjustments were made using the CPI.

# Sales and Use Tax on Motor Fuel Purchases



Note: Gasoline price data is as of October 2008.

# Vehicle Registration Fees

- Annual fee paid by vehicle owners to meet state registration requirements
- Fees include the following:

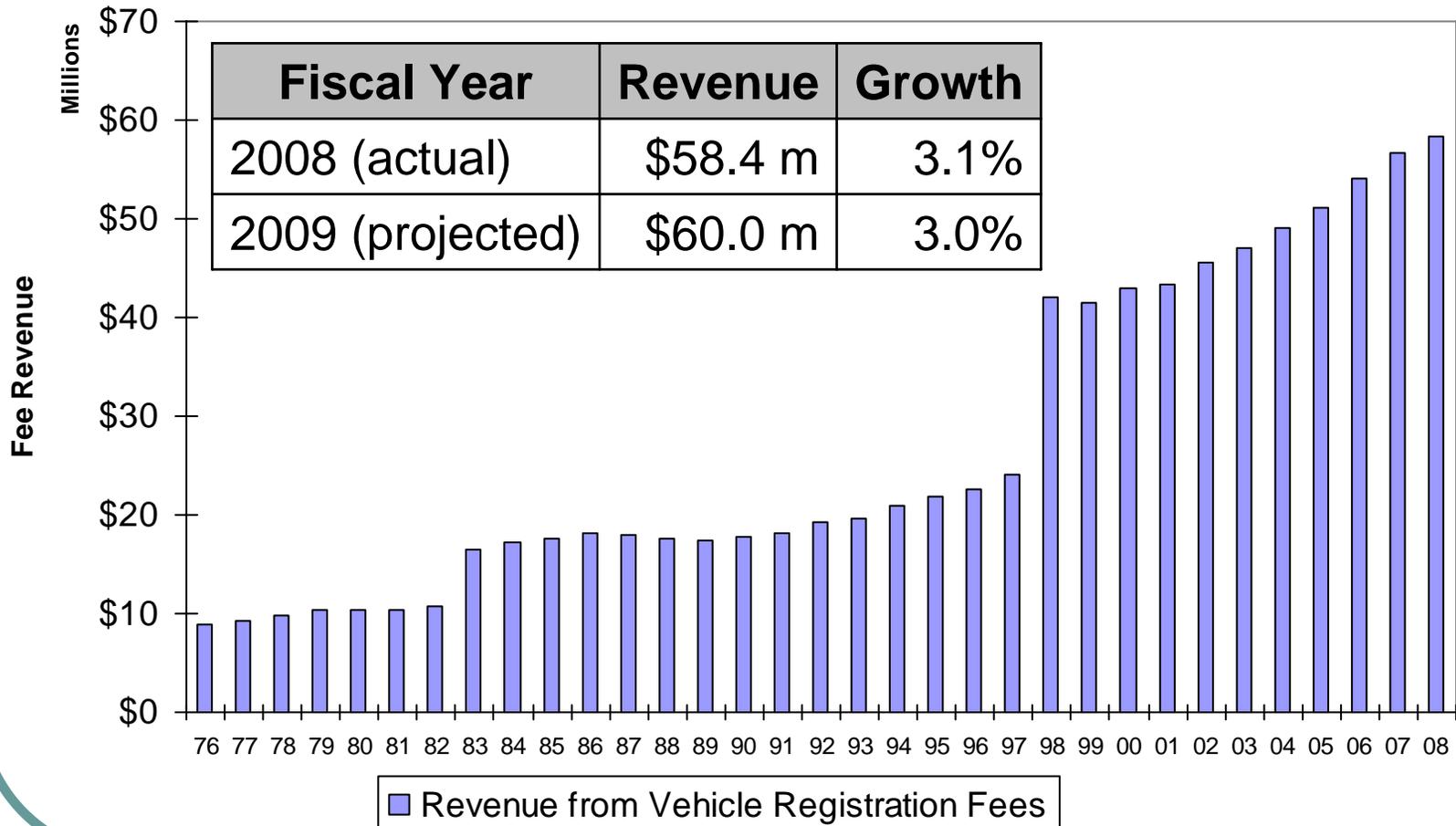
Vehicle Type	Fee
Motor vehicle (12,000 lbs or less)	\$21.00
Motorcycle	\$22.50
Trailer/semitrailer over 750 lbs	\$11.00
Commercial trailer/semitrailer less than 750 lbs	\$8.50
Vintage vehicle (initial registration only)	\$20.00
There are various rates and fees for vehicles over 12,000 lbs.	

# Vehicle Registration Fees

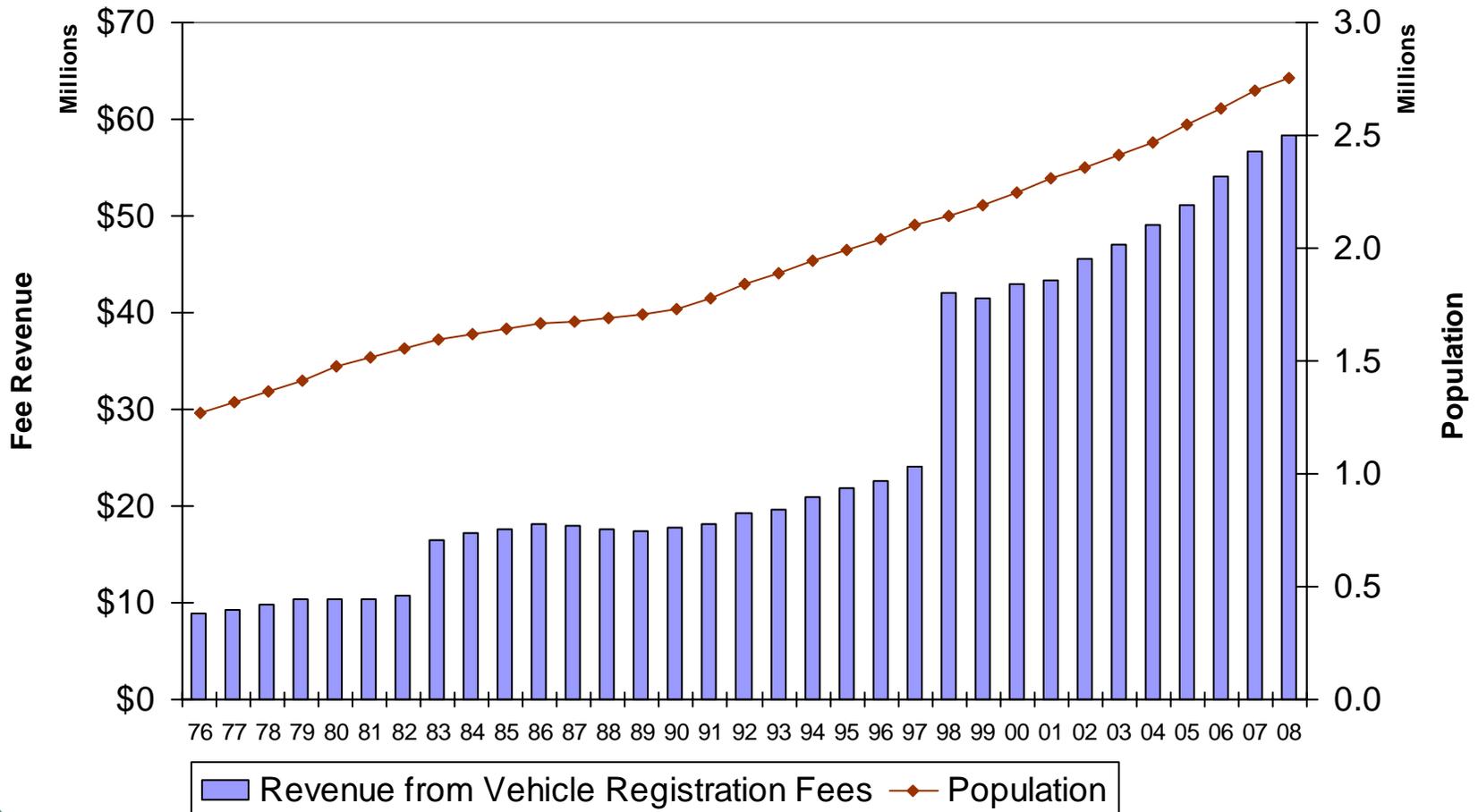
- Vehicle registration fees were last changed in 1997:

<b>Vehicle Type</b>	<b>Current Fee</b>	<b>Prior Fee</b>
Motor vehicle (12,000 lbs or less)	\$21.00	\$11.00
Motorcycle	\$22.50	\$12.50
Trailer/semitrailer over 750 lbs	\$11.00	\$10.00
Commercial trailer/semitrailer less than 750 lbs	\$8.50	\$7.50
Vintage Vehicle (initial registration only)	\$20.00	\$10.00
There are various rates and fees for vehicles over 12,000 lbs.		

# Vehicle Registration Fees



# Vehicle Registration Fees



# Vehicle Registration Fees

- Fee increase scenarios:

Vehicle Type	Current Fee	New Revenue/\$1 Increase
Motor vehicle (12,000 lbs or less)	\$21.00	\$1,900,000
Motorcycle	\$22.50	\$65,000
Trailer	\$11.00 / \$8.50	\$250,000

Uniform Percentage Increase (millions)						
Increase	1%	<b>5%</b>	10%	15%	20%	25%
New Revenue	\$0.6	<b>\$3.0</b>	\$6.0	\$9.0	\$12.0	\$15.0

# Proportional Registration

- Paid by an owner or operator of a commercial vehicle operating in **at least two jurisdictions**
- Allows an owner to pay a proportional registration fee based on the percent of miles traveled in the jurisdiction
- The formula is as follows:

$$\frac{\text{In-jurisdiction miles}}{\text{Total miles generated during the preceding year}} \times \left( \text{Sum of all registration fees for each vehicle} \right)$$

- Revenues are as follows:

FY 2007	FY 2008
\$14,772,484	\$14,202,031

# Highway Use Tax

- Paid by an owner or operator of a proportionally registered commercial vehicle who:
  - is based out-of-state and
  - has not paid property tax or an in lieu fee
- Like a proportional property tax or an in lieu fee
- The formula is as follows:

$$\frac{\text{In-jurisdiction miles}}{\text{Total miles generated during the preceding year}} \times \left( \text{Sum of fees based on weight and vehicle age} \right) (\$10 \text{ to } \$600)$$

- Rates were last changed in 1999
- Revenues are as follows:

FY 2007	FY 2008
\$8,089,959	\$7,573,707

# Special Transportation Permits

- Paid by an owner or operator of a vehicle:
  - with a load weighing more than the maximum weight
  - that exceeds vehicle width, height, or length provisions
- There are various rates from \$25 to \$450
- Rates were last changed in 1994
- Revenues are as follows:

FY 2007	FY 2008
\$7,780,428	\$8,093,326

# Motor Vehicle Control Fees

- Paid by vehicle owners upon ownership
- Fees include the following:
  - **\$6 title fee or duplicate title fee**
  - **\$5 per set of license plates**
  - \$50 application fee for personalized license plates
  - \$10 renewal fee for personalized license plates
  - \$5 special group license plate fee
  - \$5 replacement fee for license plates
- Rates were last changed in 1992
- Revenues are as follows:

FY 2007	FY 2008
\$5,302,417	\$5,294,423

# Safety Inspection Fee

- Inspection stations are charged a \$2 fee for each state safety inspection certificate
- \$0.75 of the fee is a dedicated credit used by UHP to enforce safety inspection laws
- The rate was last changed in 2003
- Revenues are as follows:

FY 2007	FY 2008
\$1,624,518	\$2,207,477

# Temporary Permit Fee

- Alternative to full or proportional registration
- Paid by commercial vehicles meeting the registration requirements of another jurisdiction
- Temporary registration permit for 96 hours or less
- Fees are:
  - \$25 for a single unit, and
  - \$50 for multiple units
- Rates were last changed in 2003
- Revenues are as follows:

FY 2007	FY 2008
\$401,335	\$522,984

# State Sales and Use Tax Earmarks

- Earmark in this case means a **statutory requirement** that a specified portion of the sales and use tax be transferred to one of the transportation funds
- Earmarks can be found in Section 59-12-103 of the Utah Code

# State Sales and Use Tax Earmarks

- Sales and use tax raised by 1/16% state rate (1998)
- Sales and use tax raised by 1/64% state rate (2000)
- 8.3% of revenue collected from state sales and use tax (2007)
- \$90 million (2008)
  - \$55 million in FY 2009 only
- Sales and use tax raised by .025% state rate (2009)
- Sales and use tax raised by .025% state rate (2009)

# General Fund Appropriations

- Ongoing appropriations
  - Beginning in 2007:
    - \$55 million for capacity projects
      - 2008 2<sup>nd</sup> Special Session changes:
        - Ongoing appropriation decreased to \$20 million
        - One-time appropriation of \$35 million
      - \$35 million for the highway construction program
        - Cut to \$32.3 million for FY 2009
    - One-time appropriations

# Aviation Fuel Tax

- An aviation fuel tax is imposed on all aviation fuel purchased in the state
  - Rate is 9 cents per gallon for a person other than a federally certificated air carrier
  - Rate is 4 cents per gallon for a federally certificated air carrier
    - If purchased at Salt Lake International Airport a federally certificated air carrier is eligible for a 1.5 cent fuel tax refund

# Local Option Sales and Use Taxes and Fees

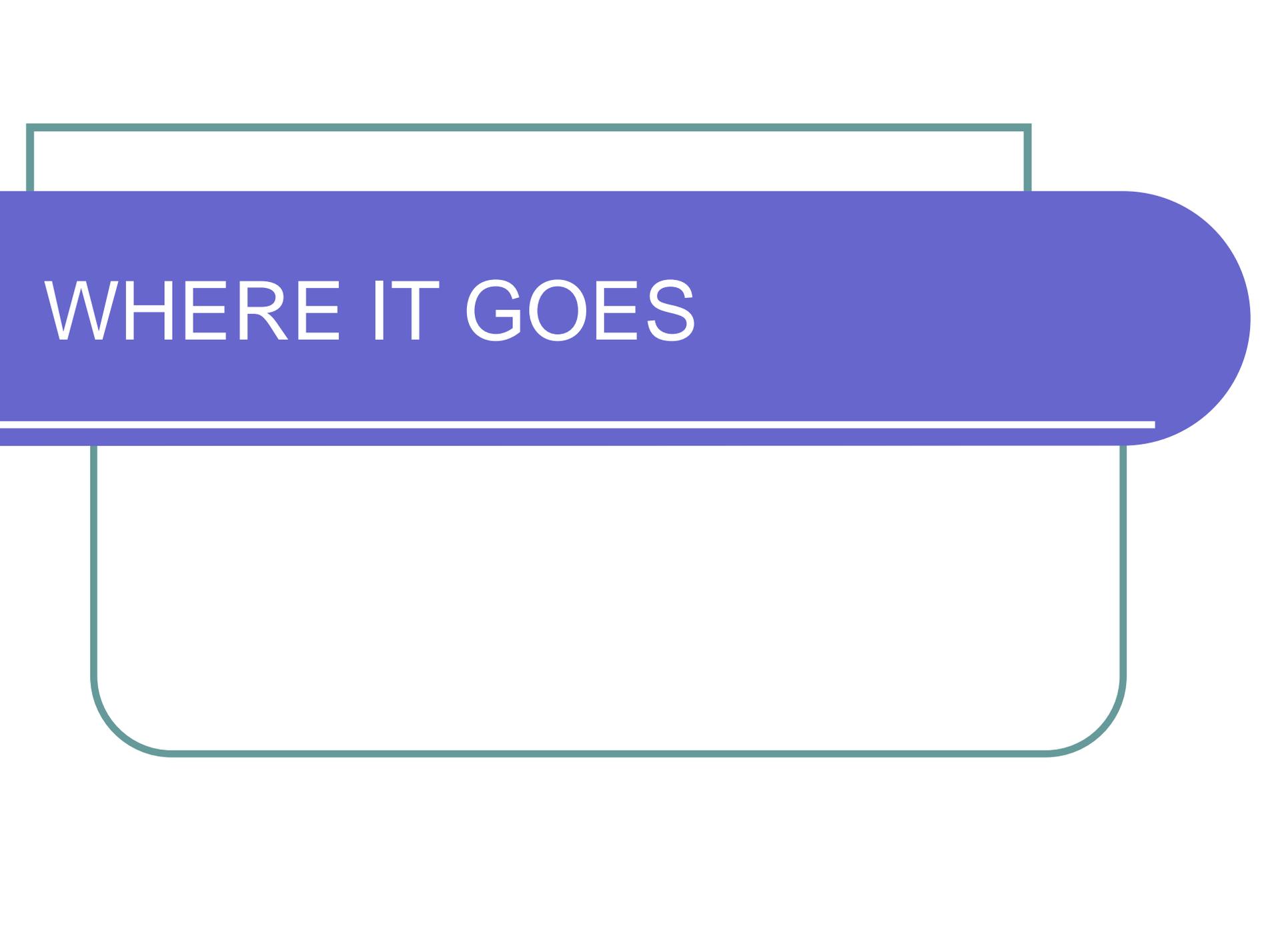
- Public Transit Basic (.25 or .30)
- Public Transit Additional (.25)
- Municipal Highways or Public Transit (.25 or .30)
- County Option Transportation (.25)
- County Option for Highways, Fixed Guideways, or Public Transit (.30)
- County of the Second Class Airport, Highway and Public Transit (.10 or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

# Local Option Sales and Use Taxes and Fees

- What are they used for:
  - Public transportation
  - Public transportation expansion
  - Local highways
  - State highway projects
  - Airport projects and services
- Often the city or county is given choices of how it can use revenues

# Federal Funding

- Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU)
  - Federal transportation funding program for FFY 2005 to 2009
  - Monies come from the Federal Highway Trust Fund (HTF)
    - Major revenue stream is the federal tax on motor fuels
    - Balance is rapidly declining
    - **Congress passed a bill that allowed a \$8 billion transfer from the general fund to the HTF which is enough to fully fund SAFETEA-LU until it expires in September 2009**
  - **Total apportionments have ranged between \$240 and \$320 million**



WHERE IT GOES

# Transportation Funds

- Transportation Fund
- Centennial Highway Fund
- Transportation Investment Fund of 2005
- Critical Highway Needs Fund
- Transportation Corridor Preservation Revolving Loan Fund
- Local Transportation Corridor Preservation Fund
- Tollway Restricted 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 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

- **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

# Centennial Highway Fund

- Revenues:
  - Voluntary contributions
  - Appropriations made by the Legislature
  - Designated vehicle registration fees
  - 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 (effective 07/01/07)
  - 5 cents per gallon motor fuel tax
  - \$35 surcharge on clean special fuel tax certificate (repealed 01/01/09)
  - Interest earned on account monies

# 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
- 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
  - Unspent monies from the Centennial Highway Fund (CHF) and Critical Highway Needs Fund (CHNF)
  - CHF and CHNF revenue sources (once general obligation bonds have been paid off and the highway projects are completed)

# 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
  - \$90,000,000 Sales and Use Tax revenue (effective 07/01/07)
  - Sales and Use Tax revenue equal to an amount generated by a .025% tax rate (effective 01/01/09)
- Bonds for highway projects may not exceed \$1.2 billion (no bonds currently issued)

# Transportation Corridor Preservation Revolving Loan Fund

- Created in 1996
- 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; and
  - Promote the best interest of the state in a manner which minimizes impact on prime agricultural land

# Transportation Corridor Preservation Revolving Loan 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 Transportation (up to .25% tax rate)\*
- Portion of County of the Second Class Airport, Highway and Public Transit (.05% tax rate, effective 01/01/09)\*

Source: Utah Code, Sections 72-2-117.5, 41-1a-1222, 59-12-1703, and 59-12-1903.

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

# Tollway Restricted 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

# 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
- Revenues:
  - Voluntary contributions
  - Interest earned on account monies
  - 50% of up to \$10 fee on motor vehicle registration within Salt Lake County
  - 20% of Public Transit Additional (.25% tax rate)\*
  - Designated portion of County Option Transportation (.25% tax rate)\*

Source: Utah Code, Sections 72-2-121, 41-1a-1222, 59-12-502, and 59-12-1703.

\*See Local Option Sales and Use Taxes 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 County of the Second Class Airport, Highway and Public Transit (up to .20% tax rate, effective 01/01/09)\*

Source: Utah Code, Sections 72-2-121.2 and 59-12-1903.

\*See Local Option Sales and Use Taxes 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 59-12-1503.

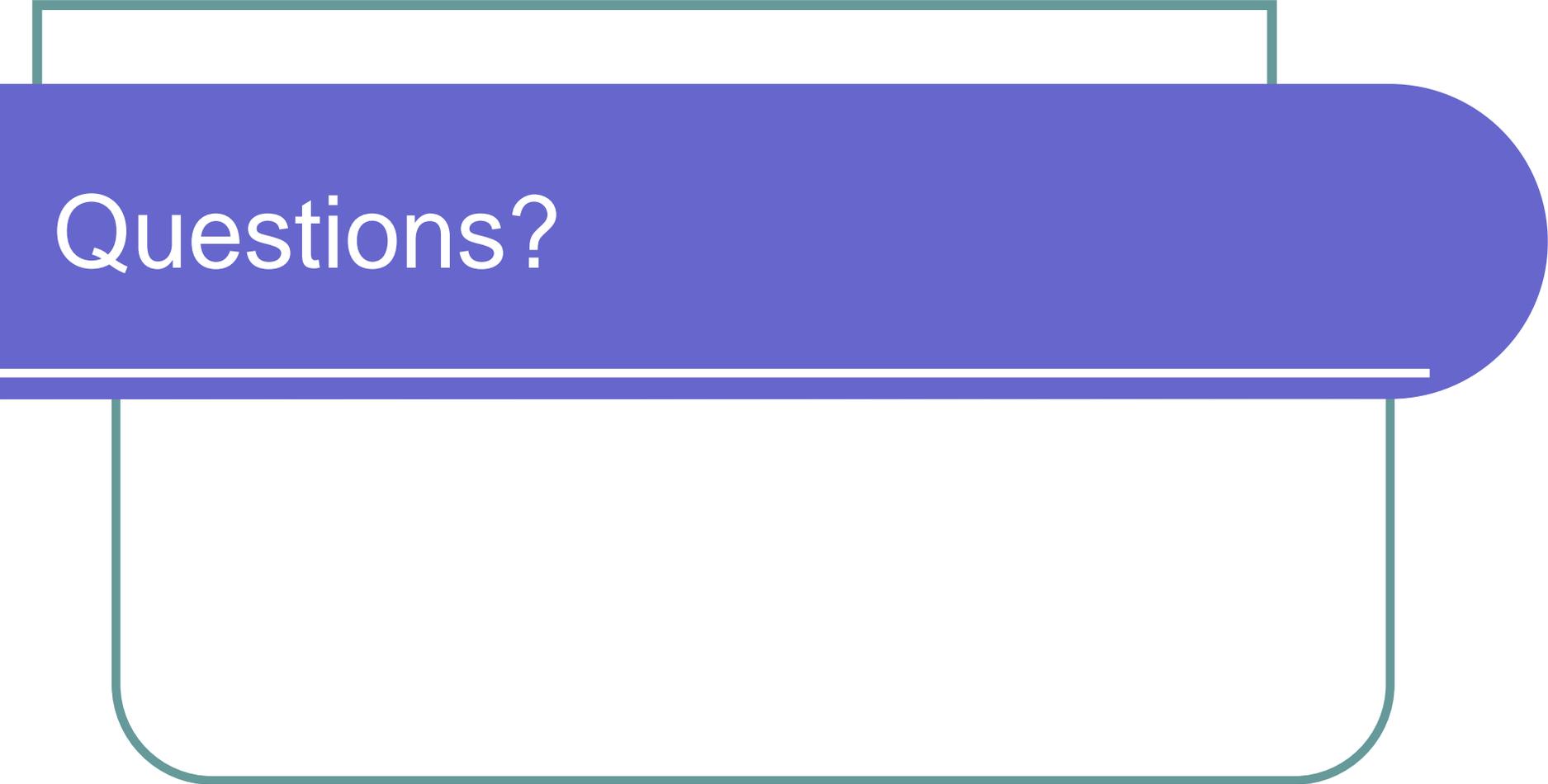
\*See Local Option Sales and Use Taxes handout for more information on this tax.

# Aeronautical Operations Restricted Account

- Administered by UDOT for:
  - Construction, improvement, operation and maintenance of publicly used airports
  - 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

# Aviation Fuel Tax Distribution

Type of Air Carrier and Location of Purchase	Tax Allocation per Gallon to Airport	Tax Allocation per gallon to Aeronautical Operation	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



Questions?