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Review of Transportation Funding Legislation Adopted in Utah, Kentucky and North Carolina

**Staff Briefing
Presented to the
Transportation Infrastructure Revenue Subcommittee
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**By
Jeff Eaton
Pam Stokes
Legislative Council Service**

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- Federal funding sources have been in decline for several years.
- Many states have gas taxes tied to the price of fuel and when prices fell, program revenues for road construction and maintenance fell.
- In 2015, seven states—Georgia, Idaho, Iowa, Nebraska, South Dakota, Utah and Washington—passed legislation to increase gas taxes.
- This presentation analyzes Utah, Kentucky and North Carolina.

Utah's HB 362 (2015)



- Effective 7/1/2015, the new law replaces the state's 24.5 cents/gallon gas tax with a 12% tax on the annual average wholesale price of a gallon of gas in the state
- **MINIMUM PRICE: \$2.45/gallon**
 - The wholesale price may not be less than \$2.45/gallon, regardless of the *actual* wholesale price
 - At \$2.45, the resulting tax is 29.5 cents/gallon (a 5 cent increase from the previous tax)
- **MAXIMUM PRICE: \$3.33/gallon**
 - The wholesale price may not be greater than \$3.33/gallon
 - At \$3.33, the resulting tax would be 39.96 cents/gallon

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Utah's HB 362 (2015) (con't)



- Once the *actual* wholesale price of gas reaches \$2.45, the minimum may increase each year by adding:
 - The actual wholesale price; and
 - The change in the Consumer Price Index or 0, whichever is greater
 - The change in CPI must be positive or there is no change in the tax from the previous year → THE TAX WILL NEVER DECREASE
- The current actual wholesale price being used by Utah for 2015 is \$2.237 cents/gallon
 - The sponsor of the bill reported that the wholesale price of gas is not expected to reach \$2.45 for 6-10 years
- The tax imposed on diesel is imposed at the same rates as gas

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Utah's HB 362 (2015) (con't)



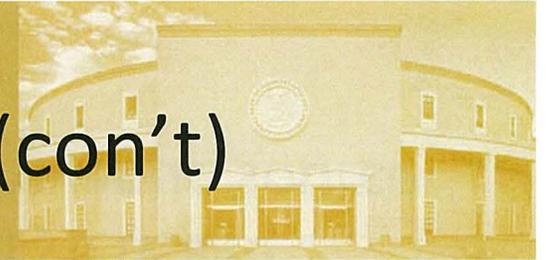
- To provide local governments additional transportation funding, a county is authorized to increase the sales tax in the county by .25%
 - The increase is subject to voter approval
 - The revenue is distributed as follows:
 - 40% to public transit districts
 - 40% to unincorporated areas in the county and cities and towns in the county
 - 20% to the county legislative body
 - The revenue may only be used to fund local roads, public transit, bike and pedestrian infrastructure and other local transportation infrastructure projects

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Utah's HB 362 (2015) (con't)



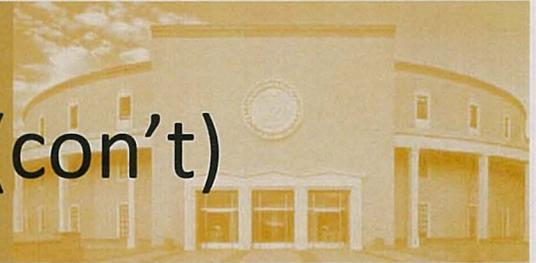
- The tax on compressed and liquefied natural gas is incrementally increased from 8.5 cents/gallon equivalent to 16.5 cents by 7/1/2018
- Hydrogen used as a motor fuel is newly taxed at the same rates as compressed and liquefied natural gas
- Utah's DOT is required to continue a study on a road usage charge mileage-based revenue system as an alternative to the motor and special fuel taxes

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Utah's HB 362 (2015) (con't)



SUMMARY

- Replaces 24.5 cents/gallon tax with a 12% tax on the wholesale price of gas (an initial 5 cent increase)
- Minimum tax of 29.5 cents/gallon
- Maximum tax of 39.96 cents/gallon
- Tax on alternative fuels incrementally increased from 8.5 cents/gallon equivalent to 16.5 cents
- Local governments may impose a new .25% sales tax to fund local transportation infrastructure projects
- Utah DOT is required to continue studying a usage based revenue system as an alternative revenue source



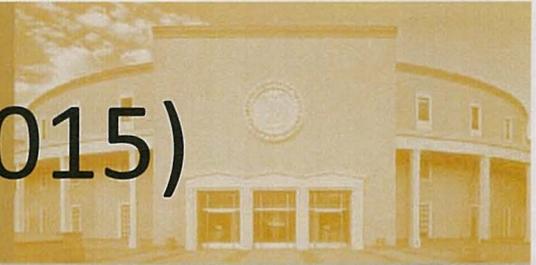
Kentucky

Bill: HB 299 (Rand) Chair, Appropriations & Revenue Committee

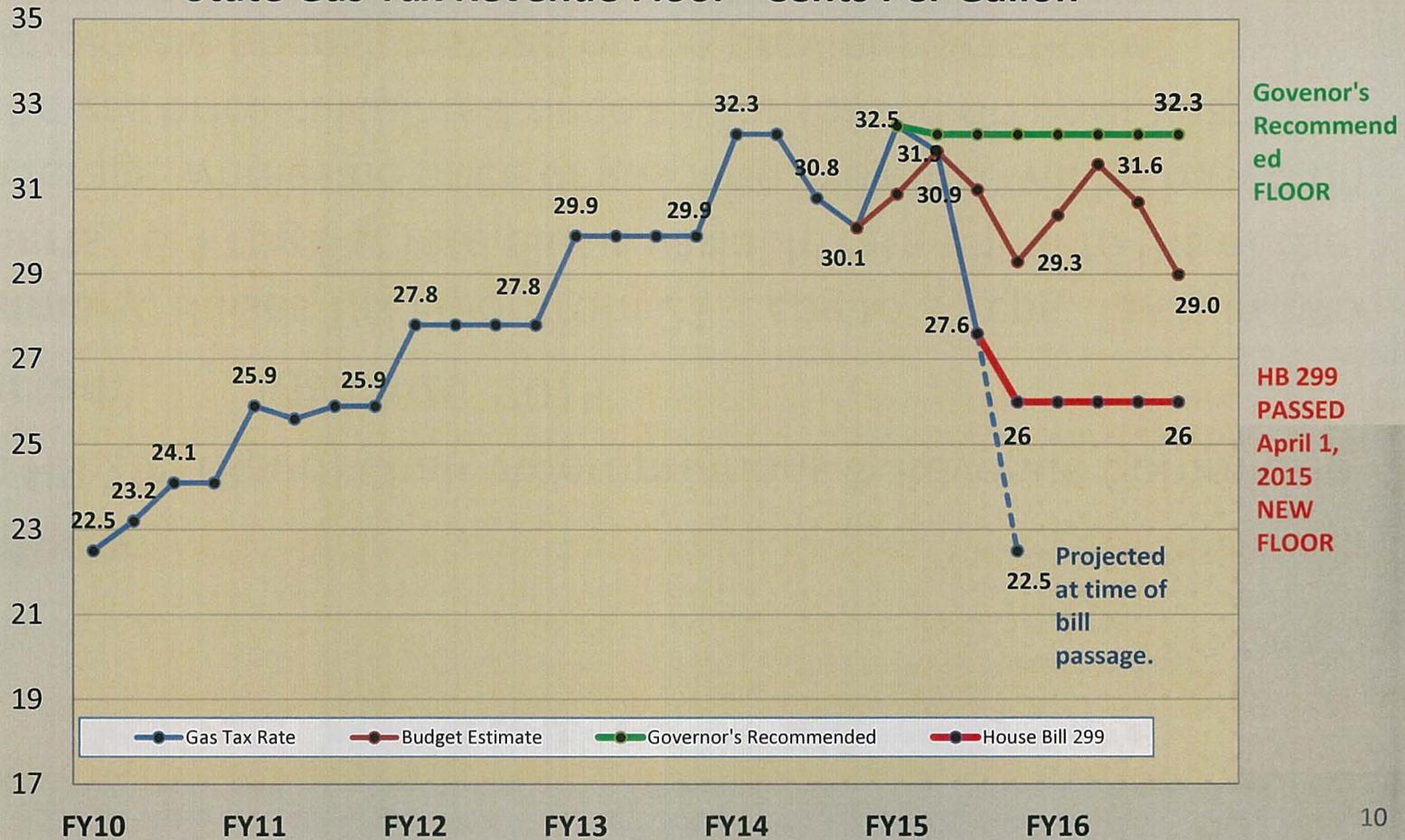
Enacted: March 25, 2015.

Summary: Raises Tax Floor from 21.1 cpg to 26 cpg. Tax is in two parts: 6.4 cpg flat rate plus a variable rate equal to 9% of the average wholesale price of gasoline. New tax will be based on the gas price calculated once a year (based on prior year wholesale prices), instead of the previous practice of quarterly, and cannot rise more than 10 cents a year.

Kentucky's HB 299 (2015)



Kentucky Gas Tax Bill (HB 299)
State Gas Tax Revenue Floor - Cents Per Gallon



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North Carolina's SB 20 (2015)



North Carolina

Bill: SB 20 (Rabon) Co-Chairman, Appropriations on DOT Committee

Enacted: March 31, 2015

Summary: Controls the reduction of the motor fuels tax rate, fixes it at then adds a new variable component. Current tax consists of a 17.5 cpg flat rate plus 7% of the average wholesale price of gasoline. New tax reduces from 37.5 cpg to 35 cpg over 15 months then indexed to pro-rate growth rate in: Population (75%); and CPI (25%).

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North Carolina's SB 20 (2015)



North Carolina

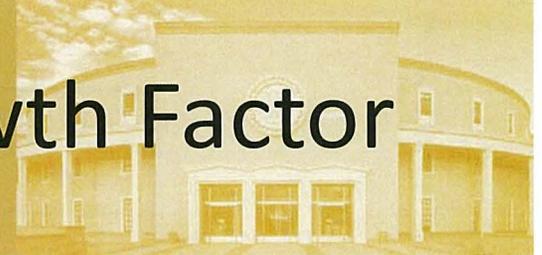
Summary Continued: Beginning January 2017, the fixed rate of 34 cents per gallon will be multiplied by a percentage. The percentage would be 100% plus or minus the sum of the following:

The percentage change in population multiplied by 75%; and

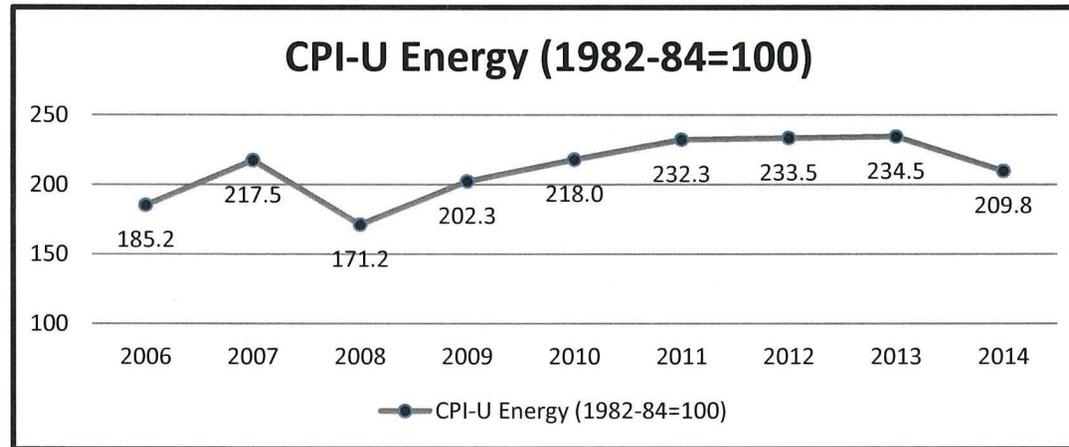
The percentage change in the Consumer Price Index for all Urban Consumers multiplied by 25%. The Consumer Price Index means the United States city average for energy index released by the Bureau of Labor Statistics.

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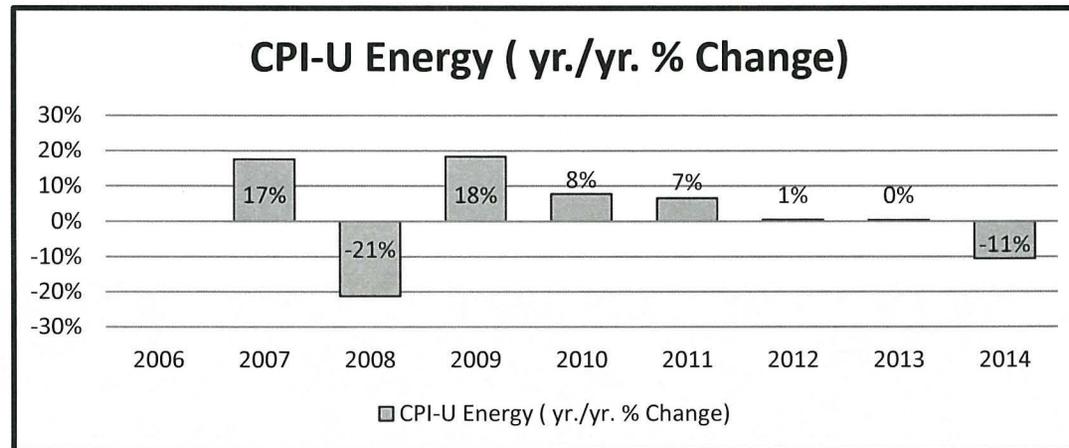
North Carolina's CPI Growth Factor



Step 1.



Step 2.

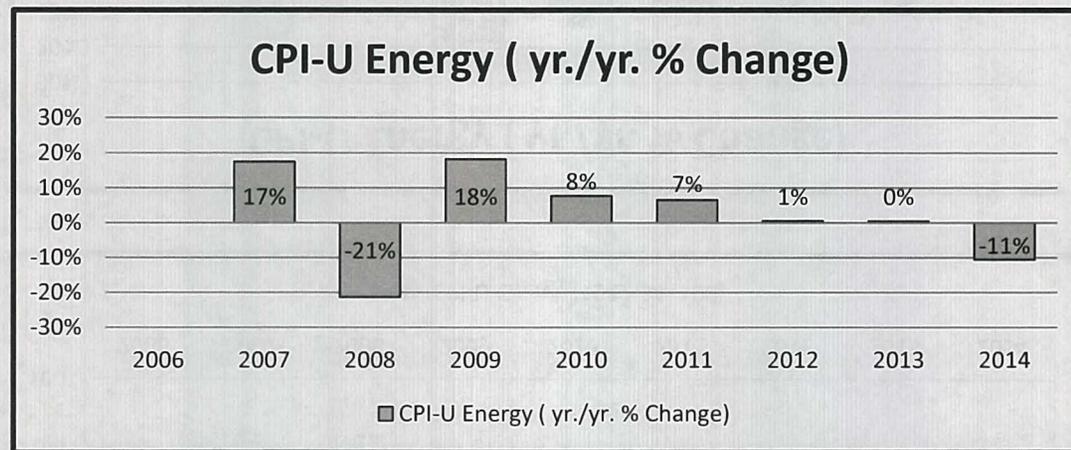


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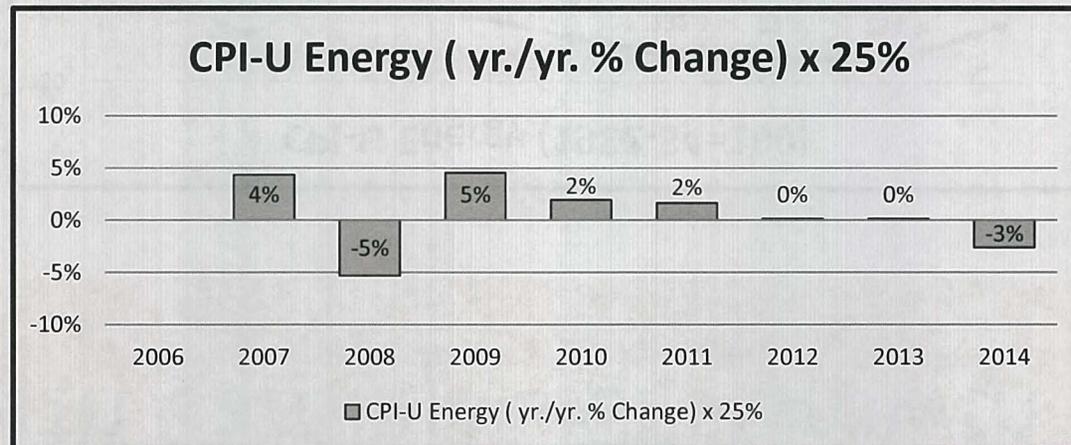
North Carolina's CPI Growth Factor



Step 2.



Step 3.



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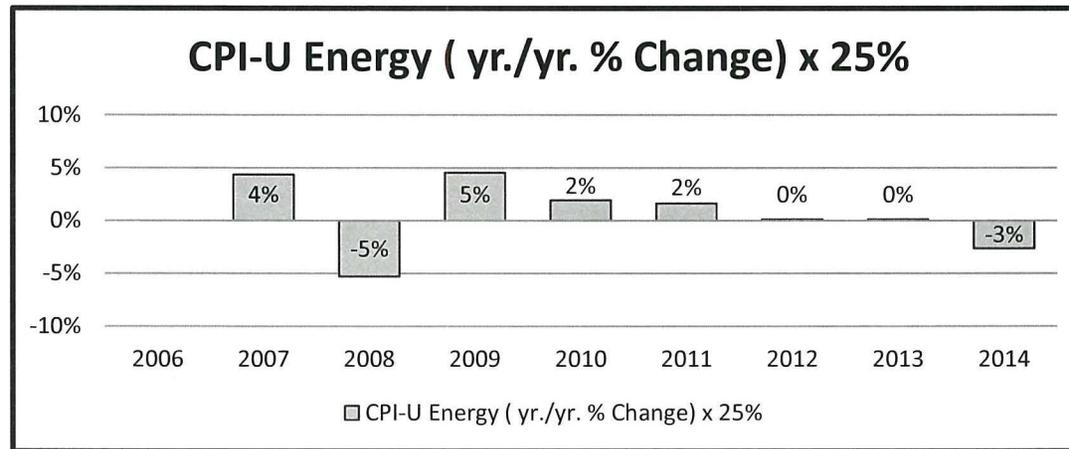
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North Carolina's CPI Growth Factor



Step 3.



Step. 4

