

# Statement of Estimated State Revenue Impact

---

**Date:** April 26, 2013

**Bill Number:** S.B. 600

**Author:** Peeler

**Committee Requesting Impact:** Senate Finance Committee

---

## Bill Summary

A bill to amend Sections 11-43-120, 11-43-130, 11-43-150, 11-43-160, 11-43-170, 11-43-180, 11-43-220, 11-43-510, 11-43-520, 11-43-540, 11-43-550, and 11-43-560, of the Code of Laws of South Carolina, 1976, all relating to the creation, duties, and functions of the Transportation Infrastructure Bank, so as to provide that the bank is administered by the Commission of the Department of Transportation, to eliminate its board of directors, and to provide that a project may not be designated as an eligible project for purposes of bank funding in advance of the current availability of funding for the completion of that specific project; to amend Section 12-28-310, as amended, relating to the user fee on gasoline and diesel, ... (intentionally truncated).

## REVENUE IMPACT <sup>1/</sup>

The following sections of the bill are expected to affect state revenue:

**Section 15.** This bill would reallocate \$103,500,000 of sales tax revenue evenly to the State Highway Fund and the South Carolina Transportation Infrastructure Bank in FY2013-14. Of the estimated \$103,500,000 of sales and use tax revenue collected from the sales of motor vehicles, General Fund sales and use tax revenue would be reduced by an estimated \$82,800,000 and EIA fund revenue would be reduced by an estimated \$20,700,000 in FY2013-14.

**Section 16.** This section amends Article 23 of Chapter 37, Title 12 and directs the Department of Motor Vehicles to collect a road use fee for all commercial motor vehicles. We estimate that total road use fees will be \$33,737,759. Section 12-37-2865 directs that the first seventeen million dollars of this fee is distributed to the counties. The counties would receive an additional \$3,561,962 in FY 2013-14. Any funds in excess of seventeen million are to be credited to the State Highway Fund, which we estimate to be \$16,737,759 in FY 2013-14.

**Section 17.** We expect the shift to prorated annual fees to result in a revenue loss of \$7,800,000 to the State Highway Fund in FY2013-14. Dependent upon final enactment date, the annual revenues may be impacted. For each month of delayed implementation following the start of the fiscal year, the revenue impact will be reduced by 8%.

**Section 19.** This bill would add Section 11-11-260 to allow the General Assembly to appropriate each year an amount equal to twenty percent of projected growth in general fund revenues for bridge maintenance. It is unlikely this legislation will be approved by the time

## Statement of Estimated State Revenue Impact

---

the annual appropriation bill is expected to be passed, this section, therefore, is not expected to affect General Fund revenue in FY2013-14.

### Explanation

The following is a summary of the sections contained in the bill.

**Section 1.** This bill would amend Section 11-43-120(B) to change the governance of the South Carolina Transportation Infrastructure Bank to be administered by the Commission of the Department of Transportation.

**Section 2 through Section 12.** The "board of directors of the bank (South Carolina Transportation Infrastructure Bank)" is replaced by a "commission" of the Commission of the Department of Transportation. The references to "board" are replaced by "commission" in Sections 2 through Section 12 of the bill.

**Section 13.** This section adds fuel grade ethanol to the fuels subject to the motor fuel user fee. Currently, the Department of Revenue taxes ethanol following blending with gasoline since blended fuel is taxable under the motor fuel user fee. This change would allow DOR to tax ethanol prior to blending but is not expected to impact motor fuel revenues since ethanol is currently taxed after blending with another fuel.

**Section 14.** This section further clarifies methods of transporting fuels subject to the motor fuel user fee that require an importer's license. We do not expect a revenue impact as a result of this change.

**Section 15.** This bill would add Section 12-36-2625 to allow the sales, use, and casual excise tax revenues derived from the sale of a motor vehicle to be redirected from the state General Fund and the Education Improvement Fund (E.I.A.) and credited evenly to the State Highway Fund and the South Carolina Transportation Infrastructure Bank. The sales tax paid by a purchaser of a motor vehicle is the lesser of five percent up to a maximum of \$300 per motor vehicle pursuant to Section 12-36-2110(2) of the Code of Laws, 1976. The amount of General Fund sales and use tax revenue collected from the \$300 sales tax cap on the sale of motor vehicles in the State is an estimated \$103,500,000 in FY2013-14. The five percent sales and use tax on the sales of motor vehicles is divided into two components. The four percent component is allocated to the state General Fund. The one percent component is allocated to the Education Improvement Act (EIA) fund. This bill would allow the five percent sales and use tax, pursuant to Section 12-36-910, from the sales of motor vehicles to be credited evenly to the State Highway Fund and the South Carolina Transportation Infrastructure Bank. The revenues must be used on federally eligible highway improvement projects. The revenues are included within the "sources of revenues" that may be pledged to secure highway bonds pursuant to Section 13(6)(a), Article X of the Constitution of this State. This bill would reallocate \$103,500,000 of sales tax revenue evenly to the State Highway Fund and the South Carolina Transportation Infrastructure Bank in FY2013-14. Of the estimated \$103,500,000 of sales and use tax revenue collected from the sales of motor

## Statement of Estimated State Revenue Impact

---

vehicles, General Fund sales and use tax revenue would be reduced by an estimated \$82,800,000 and EIA fund revenue would be reduced by an estimated \$20,700,000 in FY2013-14. The State Highway Fund and the South Carolina Transportation Infrastructure Bank would each receive an estimated \$51,750,000 in FY2013-14. This section takes effect July 1, 2013.

**Section 16.** This section amends Article 23 of Chapter 37, Title 12 and directs the Department of Motor Vehicles to collect a road use fee for all commercial motor vehicles. The valuation of the commercial motor vehicles and the road use fee are determined as currently prescribed for motor carriers. This section adds out-of-state carriers that currently do not pay property taxes to the road use fee. Currently, we estimate that total motor carrier property taxes for FY 2013-14 will be \$13,438,038. The road use fee for in-state carriers would remain the same as the current property tax amount. For out-of-state carriers, we estimate that approximately 20% of the \$800 annualized registration fee, or \$160, is currently apportioned to SC. Total registration fees for out-of-state carriers were \$18,993,891 in FY 2011-12. Dividing the total fees by \$160, we estimate 118,712 out-of-state carriers that would be subject to the new road use fee. The approximate value of a new vehicle is \$120,000. Multiplying this value by the 20% apportionment rate, \$24,000 of the value of a new vehicle would be attributed to SC. The total value of the out-of-state new vehicles would be \$2,849,083,607. Based upon a conservative average vehicle age of 6 years, the value at the depreciated rate of 0.25 would be \$712,270,902. This depreciated vehicle value is then assessed at 9.5% with an estimated statewide millage of 300, so the road use fees for out-of-state vehicles would be \$20,299,721 in FY 2013-14. Adding the in-state and out-of-state fees, we estimate that total road use fees will be \$33,737,759. Section 12-37-2865 directs that the first seventeen million dollars of this fee is distributed to the counties. The counties would receive an additional \$3,561,962 in FY 2013-14. Any funds in excess of seventeen million are to be credited to the State Highway Fund, which we estimate to be \$16,737,759 in FY 2013-14.

**Section 17.** Paragraphs (B) & (C) change registration cycle for those newly defined "commercial vehicles" under Section 12-37-2810, which primarily are those motor vehicles of GVW > 26,000 lbs., from biennial to annual. Most vehicles in this weight grouping would pay annually at a rate ½ the fee by weight under current law pursuant to Section 56-3-660 (A), as further scaled under Section 56-3-660 (B). Provisions to optionally register semiannually or proportionately under Section 56-3-660(A) are retained. We expect the shift to prorated annual fees to result in a revenue loss of \$7,800,000 to the State Highway Fund in FY2013-14. Dependent upon final enactment date, the annual revenues may be impacted. For each month of delayed implementation following the start of the fiscal year, the revenue impact will be reduced by 8% per month.

**Section 18.** This section is not expected to affect state General Fund revenue in FY2013-14.

**Section 19.** This bill would add Section 11-11-260 to allow the General Assembly to appropriate each year an amount equal to twenty percent of projected growth in general fund

## Statement of Estimated State Revenue Impact

---

revenues for bridge maintenance. Growth must be calculated by comparing projected general fund revenues in the next fiscal year to the most current adjusted forecast for the current fiscal year in effect at the time the final forecast is made by the Board of Economic Advisors pursuant to Section 11-9-880. The appropriation would supplement, and not supplant, existing funding for bridge maintenance. The table below shows the amount of General Fund revenue growth that would have been appropriated each year during the past eight fiscal years.

### Twenty Percent of Projected Revenue Growth to Fund Bridge Maintenance

Final Revenue Forecast Date	Adjusted Forecast Current Fiscal Year (Millions)	Projected Forecast (Millions)	Projected Revenue Growth (Millions)	20% of Projected Growth to Bridge Maintenance (Millions)
Feb. 17, 2006	\$6,391.5	\$6,519.4	\$127.9	\$25.6
Feb. 15, 2007	\$7,021.4	\$7,228.0	\$206.6	\$41.3
Feb. 11, 2008	\$7,107.8	\$7,336.4	\$228.6	\$45.7
Feb. 09, 2009	\$6,327.3	\$6,134.5	(\$192.8)	(\$38.6)
Feb. 11, 2010	\$5,619.9	\$5,621.8	\$1.9	\$0.4
Feb. 09, 2011	\$5,853.9	\$5,913.9	\$60.0	\$12.0
Feb. 15, 2012	\$6,293.8	\$6,537.1	\$243.3	\$48.7
Feb. 15, 2013	\$6,816.8	\$6,890.0	\$73.2	\$14.6

Note: General Fund revenue estimates made pursuant to Section 11-9-880.

Since it is unlikely this legislation will be approved by the time the annual appropriation bill is expected to be passed, this section, therefore, is not expected to affect General Fund revenue in FY2013-14.

**Section 20.** This bill would amend Section 57-1-210(A) to increase the number of at-large appointees made by the Governor to the Commission of the Department of Transportation from one member to two members.

**Section 21.** This section would amend Section 57-1-730 to increase the power and duties of the Joint Transportation Review Committee in screening candidates applying for election to the Department of Transportation Commission (commission) of the Department of Transportation (department). The review committee must conduct an oversight review of the commission and the department and its operations at least once every year to determine if the department is meeting its plans and objectives of its long-range Statewide Transportation Plan. This section would also add Section 57-1-735 to require state agencies to fully cooperate with requests for assistance in carrying out its responsibilities and duties. This

## Statement of Estimated State Revenue Impact

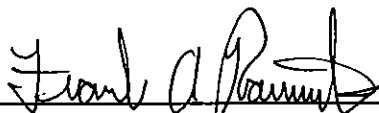
---

section also adds Section 57-1-737 to require the oversight committee to include a performance review of each member of the commission during the previous year, and a performance review of the Secretary of Transportation. This section is not expected to affect state General Fund revenue in FY2013-14.

**Section 22.** This bill would repeal Section 6 of Act 114 of 2007. This Act terminated the Governor's authority to appoint the Secretary of the Department of Transportation pursuant to Section 57-1-410 effective July 1, 2015. The authority to appoint a Secretary devolves upon the Department of Transportation Commission. This section would repeal the language contained in Act 114 of 2007 and reauthorize the Governor to appoint the Secretary of the Department of Transportation.

**Section 23.** This bill includes a severability clause.

**Section 24.** Except as otherwise provided, this act takes effect upon approval by the Governor.



---

Frank A. Rainwater  
Chief Economist

**Analysts:** DiBiase / Jolliff / Martin

<sup>11</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.