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## Statement of estimated state revenue impact-H.B. 3360

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# Statement of Estimated State Revenue Impact

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**Date:** July 18, 2013 (As amended June 18, 2013 by the Conference Committee)

**Bill Number:** H.B. 3360

**Authors:** Owens, Daning, Hiott, Skelton, Simrill, *et al.*

**Committee Requesting Impact:** Conference Committee

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## Bill Summary

An act to amend Sections 57-5-10, 57-5-70, and 57-5-80, of the Code of Laws of South Carolina, 1976, relating to the composition of the state highway system, additions to the state highway secondary system, and the deletion and removal of roads from the state highway secondary system, so as to provide that all highways within the state highway system shall be constructed to the Department of Transportation standards, to provide the funding sources that the department may use to construct and maintain these highways, to revise the procedure and entities to which the department may transfer roads within the state highway secondary system, and to revise the procedure whereby the department may add a county or municipal road to the state highway system; by adding Section 11-43-165 so as to provide that during each fiscal year, the Department of Transportation shall transfer fifty million dollars from nontax sources to the South Carolina Transportation Infrastructure Bank to be used to finance certain projects, to provide that general revenue appropriated to the department for "highway engineering permanent improvements" is exempt from across-the-board reductions, and to provide that the implementation of this section is contingent upon fifty million dollars being appropriated to the Department of Transportation in the 2013-2014 General Appropriations Act for the purposes provided in this section; by adding Section 12-36-2647 so as to provide that fifty percent of the revenues of certain sales, use, and casual excise taxes derived on the sale, use, or titling of motor vehicles required to be licensed and registered by the Department of Motor Vehicles must be credited to the State Non-Federal Aid Highway Fund and used exclusively for certain purposes; and to provide that there is transferred to the Department of Transportation an amount not to exceed fifty million dollars to be used by the department for bridge replacement and rehabilitation which shall serve as the match requirement for certain active federal aid eligible bridge replacement projects and prioritized rehabilitation projects.

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

This bill, as amended, would reduce General Fund sales and use tax revenue by an estimated \$41,400,000 in FY2013-14. In FY2014-15, and each fiscal year thereafter, the amount of reduced revenue will be based on the number of cars sold.

## Explanation

**Section 1.** This section would amend Section 57-5-10 to allow the Department of Transportation to utilize funding sources to include the State Nonfederal Aid Highway Fund and the State Highway Fund, as established by Section 57-11-20, in constructing and maintaining highways in the state highway system. This section is not expected to affect state General Fund revenue in FY2013-14.

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**Section 2.** This section would amend Section 57-5-70 to allow a county or municipality to mutually agree to transfer ownership of a highway from the county or municipality to the state highway system. If the Department of Transportation determines that a road in a county or municipality is necessary for the interconnectivity of the state highway system, and the county or municipality does not consent to transfer the road to the state, the Department of Transportation may condemn the property to acquire the road. This section is not expected to affect state General Fund revenue in FY2013-14.

**Section 3.** This section would amend Section 57-5-80 to specifically identify the parties that the Department of Transportation may transfer any road from the state highway secondary system to due to low traffic importance. These parties include a county or municipality, a school, a governmental agency, a nongovernmental entity, or a person. Maintenance responsibilities would be transferred from the Department of Transportation to the jurisdiction of the acquiring party. This section is not expected to affect state General Fund revenue in FY2013-14.

**Section 4.** This section would add Section 11-43-165 to direct the South Carolina Department of Transportation to transfer \$50,000,000 from nontax sources to the South Carolina Transportation Infrastructure Bank each fiscal year. The funds may be transferred in one lump sum or in four equal quarterly payments. The funds are exempt from any across-the-board budget reductions. The funds must only be used to finance bridge replacement, rehabilitation projects, and expansion and improvements to existing mainline interstates. The funds may not be used for projects approved by the Infrastructure Bank before July 1, 2013. The projects must be approved by the Joint Bond Review Committee before a project may be approved for financing. The section is contingent upon \$50,000,000 being appropriated to the South Carolina Department of Transportation in the FY2013-14 General Appropriations Act. This section takes effect July 1, 2013. Because this is an appropriation of funds to the Department of Transportation, and does not reflect the changing of any taxes or fees, this section is not expected to affect state General Fund revenue in FY2013-14.

**Section 5.** This section would add Section 12-36-2647 to allow the sales, use, and casual excise tax revenues derived from the sale of a motor vehicle to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. 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. This section would, notwithstanding the provisions of Section 59-21-1010, allow fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be credited to the State Non-Federal Aid Highway Fund. This provision would only affect the four percent component of the sales and use tax in the General Fund. This amendment would not affect EIA Fund revenue collections. The EIA Fund would continue to receive an estimated \$10,350,000 in FY2013-14. In FY2014-15, and each year thereafter, fifty percent of General Fund sales and use tax revenue collected from the sales of motor vehicles, would be transferred to the State Non-Federal Aid Highway Fund.

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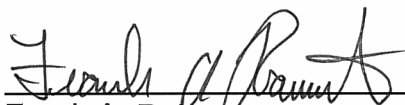
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This section also would also allow these revenues to be included within the “sources of revenue” that may be pledged to secure highway bonds pursuant to Section 13(6)(a), Article X of the Constitution of this State. The term “sources of revenue” is defined in the State Constitution as any and all taxes or licenses imposed upon individuals or vehicles for the privilege of using the public highways of the State. This section, as amended, takes effect July 1, 2013.

**Section 6.** This section would transfer \$50,000,000 to the Department of Transportation from unobligated FY2012-13 General Fund revenue in excess of the \$159,845,460 designated as the source of revenue to fund the appropriations in Proviso 118.17 of the FY2013-14 General Appropriations Act. These funds are to be used solely for bridge replacement and rehabilitation. The revenue would be available for use after September 1, 2013, following the closing of the state’s books on FY2012-13 by the Comptroller General. These funds will serve as the match requirement for active federal aid eligible bridge replacement projects currently in the Statewide Transportation Improvement Program (STIP), and prioritized rehabilitation projects, pursuant to Section 57-1-370(B)(8), approved for future inclusion in the STIP as of February 21, 2013. This section takes effect July 1, 2013.

**Section 7.** This section contains a severability clause.

**Section 8.** Unless otherwise provided, this act takes effect upon approval by the Governor.



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Frank A. Rainwater  
Chief Economist

**Analyst:** 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.