

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 2, 2003

TO: Honorable Mike Krusee, Chair, House Committee on Transportation

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2312 by Krusee (Relating to the use of certain taxes for the financing of regional transportation projects.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

Fiscal Analysis

The bill would add a new chapter to the Transportation Code to allow a regional mobility authority (RMA), a county that operates a tollway project under Chapter 284, or a tollway authority organized under Chapter 366 to use certain taxes for the financing of turnpike projects or any other project the authority is authorized to undertake. (The definition of "authority" would include an RMA, a county that operates a tollway project, and a tollway authority.) The governing body of an authority would be authorized to adopt a transportation improvement plan providing for the construction, maintenance, and operation of one or more projects.

The bill would allow an authority to impose a local tax on certain fuels to finance transportation improvement projects if the tax were approved by voters at an election. A sales tax on gasoline and diesel fuel sold in the territory of the authority could be imposed in the increments of one-eighth of one percent, not to exceed 8¼ percent. The seller would collect the tax in addition to the motor fuel tax imposed by the state and remit the tax to the authority. Not later than the last day of the first month following each calendar quarter, the authority would send to the Comptroller an amount equal to one-fourth of the taxes collected during that calendar quarter, after payment of all refunds allowed by law and collection expenses. The bill would require that the Comptroller deposit all funds received from this provision to the Available School Fund 0002. The remainder of the proceeds could be used only to provide funding for the transportation improvement plan approved at the election.

The bill would allow a regional mobility authority to impose a sales and use tax on transportation-related items and services to finance transportation improvement projects if the tax were approved at an election. The tax could be imposed in the increments of one-eighth of one percent, not to exceed one percent. The authority could use the tax proceeds only to provide funding for the transportation improvement plan approved at the election. The sales and used tax imposed would not be considered in determining the combined rate of all sales and use taxes imposed by a political subdivision having territory in the authority.

The bill would take effect September 1, 2003.

Methodology

Under current statute, motor fuels tax collections and sales tax collections are remitted to the Comptroller's Office. Sales taxes are then distributed back to local units of government: cities, counties, metropolitan transit authorities, etc. For the taxes imposed under this bill, however, the bill would establish a collection and distribution process differing from current law. Specifically, local sales taxes on motor fuels, motor lubricants, tires, vehicle parts, and repairs would be remitted to an authority for its use with a subsequent, partial remittance to the Comptroller of one-fourth of the collections of the sales tax on motor fuel. This duplicative collection process would impose an

administrative burden on businesses that would be the initial collectors of the tax because they would be remitting tax collections to both the Comptroller and to the authority. Also, there would be substantial costs for an authority to establish and maintain a tax collection and enforcement process.

If an authority were to seek voter approval for imposing the various taxes authorized by the provisions of the bill, the authority would incur election costs. If the taxes and projects are approved, besides incurring costs for establishing and maintaining a sales tax collection and enforcement process, the authority would experience a revenue gain for use in developing transportation projects and services and the state would experience a revenue gain in the Available School Fund 0002. The amount of revenue generated would depend on the number of authorities that may eventually form, the tax rate imposed, and the level of purchase of items and services to which the tax applies.

While actual amounts are unknown, an assumption can be made that an authority could receive voter approval for a fuel tax of one-eighth percent. Assuming an authority were to collect \$8 million in fuel taxes per year, the authority would send \$2 million annually to the Comptroller for deposit into the Available School Fund 0002. This assumption is based on the statewide gross total amount of fuel taxes collected by the Comptroller in fiscal year 2001 (\$2.79 billion), as reported on the Texas Department of Transportation website, then divided by the state's 254 counties, for an average of \$11 million per county; assuming a large regional mobility authority would collect a similar amount (assuming \$8 million), one-fourth for the state would be \$2 million. The remaining assumed \$6 million annually would be used by the authority to pay for collection expenses and for funding the transportation improvement plan.

NOTE: The Comptroller reports that the sales and use tax on transportation-related items and services as proposed in the bill could result in the total local sales tax rate in one or more authorities to exceed two percent.

Local Government Impact

An authority would incur election expenses. If the authority were to receive voter approval for transportation improvement plans and incremental taxes to pay for implementing the plans, the authority would experience a revenue gain to cover the authority's expenses for the projects. The authority would incur the expense of administering the tax as outlined above.

Source Agencies: 601 Department of Transportation, 304 Comptroller of Public Accounts

LBB Staff: JK, JO, RR, WP, DLBa, JM, SM, CT