F I S C A L   I M P A C T   R E P O R T

SPONSOR Snyder   **ORIGINAL DATE** 1/18/08   **LAST UPDATED**   **HB**

SHORT TITLE Motor Vehicle Excise Tax to State Road Fund   **SB** 118

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	**FY09**	**FY10**		
($12,500)	($141,800)	($147,900)	Recurring	General Fund
$12,500	$141,800	$147,900	Recurring	State Road Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to HB116, HB197, and SB235

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 118 amends statute to redirect revenues collected from the motor vehicle excise tax to the state road fund instead of the general fund.

The provisions of the bill will become effective on July 1, 2008 (see Technical Issues).

FISCAL IMPLICATIONS

In December 2007, the consensus revenue estimating group projected that motor vehicle excise tax revenues to the general fund would total $136 million in FY08, $141.8 million in FY09, and $147.9 million in FY10. The revenue is expected to grow by about 4.2 percent per year thereafter. The bill would amend statute to redirect this motor vehicle excise tax revenue from the general fund to the state road fund.

Although the bill has a July 1, 2008 effective date, it will have a one-month FY08 fiscal impact. Since the motor vehicle excise tax is accrued on a 30 day basis, revenues collected in July 2008 are accrued back one month to June 2008.

SIGNIFICANT ISSUES

The motor vehicle excise tax is a 3 percent tax paid on the sales price or reasonable value of vehicles at the time an application for certificate of title is made.

Slow-growing revenues and high project cost inflation have challenged the Department of Transportation's ability to serve the state's growing transportation needs. By redirecting motor vehicle excise tax revenues to the state road fund, the bill would put in place one transportation funding option presented in the final report of the Technical Transportation Committee in response to House Memorial 35 (2007 session).

PERFORMANCE IMPLICATIONS

Transportation infrastructure enables a state's economy to grow and allows safe transportation of people and goods. The state's economy may suffer if transportation infrastructure continues to deteriorate.

By reducing general fund revenue by over $140 million per year, the bill could jeopardize performance in other areas dependant on general fund appropriations.

ADMINISTRATIVE IMPLICATIONS

TRD reports the bill will cause no significant administrative impact.

RELATIONSHIP

Senate Bill 118 is related to a number of other bills that would to increase funding available for state transportation. House Bill 197 and Senate Bill 235 would earmark an amount equal to the gross receipts tax paid to the general fund on the Department of Transportation's state highway contracts to the state road fund. House Bill 116 would appropriate an amount equal to 10 percent of tribal revenue sharing payments received by the general fund to the state road fund.

TECHNICAL ISSUES

The effective date provision of the bill could be amended to avoid a FY08 fiscal impact.

ALTERNATIVES

To offset the general fund revenue reduction created by this bill, the state gross receipts tax rate could be increased from 5 percent to 5.25 or 5.3125 percent.

SS/nt