

Overview and Chronology of Transportation Funding

SC Senate Finance Committee staff

Emergent Themes from Three Decades of Transportation Infrastructure Policy Making

Resources

- Inflation
- Transaction Fees versus General Funds
- Leveraging and Bonding

Organizational Control (who decides what infrastructure goes to what location)

- SHIMS – planning process
- C Funds – local needs
- SCTIB – leveraging and large infrastructure projects
- DOT Governance Structure – multiple changes
- Non-Federal Aid Highway Fund - partitioning
- Infrastructure Maintenance Trust Fund - partitioning

Act 197 of 1987

- In 1987, the Legislature levied additional gasoline taxes for the purpose of funding the Strategic Highway Plan for Improving Mobility and Safety (SHIMS). Act 197 of 1987 made changes to Chapter 27 of the S.C. Code of Laws, a Chapter that was repealed by Act 136 of 1995 and Act 399 of 2000.

“Section 12-27-1220. In addition to the tax imposed by Sections 12-27-510 and 12-27-520, every person, firm, corporation, municipality, or county subject to tax imposed by those sections, or any subdivision of a municipality or county shall pay an additional tax of two cents a gallon for every gallon of gasoline or other like product of petroleum under whatever name designated on which a tax is imposed by Section 12-27-510.

*Effective January 1, 1989, the additional tax imposed by this section is increased **by one cent a gallon to a total of three cents a gallon.**”*

\$301M+ collected.

- The Act also outlined a precursor to Act 114 of 2007 through Section 12-27-1280, which required the Department of Transportation (SCDOT) to submit a priority list to the Select Oversight Committee, which was established in Chapter 27 of Title 12. The legislation created a list of parameters that must be taken into account by the Department in selecting the first 50 projects:

“The parameters used to determine the socioeconomic index are: (1) per capita employment; (2) farm acres per square mile; (3) per capita income; (4) population per square mile; (5) existing interstate and primary road mileage per square mile.

The parameters used to determine the transportation index are: (1) average daily traffic (ADT); (2) roadway width; (3) shoulder width; (4) surface width; (5) gradient; (6) curvature; (7) sight distance; (8) truck traffic; (9) economic benefit.”

Act 119 of 1987

- Act 119 of 1987 determined the use and expenditure of “C, Construction Funds”, **2.66¢ of the user fee collected**, on the state-highway secondary system. It required majority approval by the county legislative delegation on project selection.



*“Section 12-27-400. The construction, improvement, and maintenance of the farm-to-market or state secondary highway program and of roads using the fifty percent ‘C’ construction funds must be at least equal to the amount of revenue derived from the tax of **2.66 cents on motor fuel**. The expenditure of funds known as ‘C’ construction funds must have the approval of a majority of the legislative delegation members of the county in which the expenditures are to be made.”*

Act 148 of 1997

- Established the **South Carolina Transportation Infrastructure Bank** (SCTIB) to cover the cost of major transportation and infrastructure projects.
- SCTIB was permitted to issue revenue bonds and transportation infrastructure bonds subject to limitations (secured by a pledge of the funds derived from the “sources of revenue” (any and all taxes or licenses imposed upon individuals or vehicles for the privilege of using the public highways); and a maximum annual debt service of 15%)).
- Added language that no tolls could be imposed on federal interstate highways constructed prior to 1/1/1997 unless enacted by the General Assembly through separate legislation solely for that purpose.
- Beginning in FY 1998-99, registration fees and penalties for self-propelled property carrying vehicles and for farm trucks (56-3-660, 56-3-670) were redirected to the SCTIB.
- 1¢ per gallon of the motor fuel user fee was added via the 1999 appropriations bill (ACT 100 of 1999) effectively removing the previous 3% of funds appropriated for the construction and maintenance of state highways to match federal grants.



Description	Estimated Total Project Cost	Bank Contribution	Local Cash Participation	SCDOT Cash Participation	Approved Payouts from Bank	Expenditures 6/30/2018	Balance to be Expended	Other Local Participation	Other SCDOT/Fed Participation	Underruns
Act 98 (1)	\$ 550.00	\$ -		\$ 550.00	\$ 550.00	\$ 203.80	\$ 346.20			
Aiken County (completed)	\$ 241.00	\$ 208.00	\$ 17.00		\$ 225.00	\$ 214.00			\$ 16.00	\$ 11.00
Beaufort County (completed)	\$ 105.00	\$ 65.00	\$ 30.00		\$ 95.00	\$ 95.00			\$ 10.00	
Beaufort County US 278 (completed)	\$ 24.90	\$ 24.90			\$ 24.90	\$ 24.90	\$ -			
Berkeley County - I 26 Widening (completed)	\$ 15.00	\$ 15.00			\$ 15.00	\$ 15.00	\$ -			
Berkeley County - I-26/Sheep Island Interchange (completed)	\$ 6.50	\$ 6.50			\$ 6.50	\$ 6.50				
Berkeley County- I-26 Frontage Rd Extension (completed)	\$ 2.10	\$ 2.10			\$ 2.10	\$ 2.10				
Berkeley County-Jedburg Interchange Loan (completed)	\$ 6.40	\$ -	\$ 6.40		\$ 6.40	\$ 6.40				
Charleston - Cooper River Bridge (completed)	\$ 650.00	\$ 325.00	\$ 120.00	\$ 95.00	\$ 540.00	\$ 540.00			\$ 110.00	
Charleston County Mark Clark (2)	\$ 725.00	\$ 420.00			\$ 420.00	\$ 39.20	\$ 380.80	\$ 117.00		
City of Aiken (3)	\$ 12.20	\$ 6.20			\$ 6.20	\$ -	\$ 6.20	\$ 6.00		
City of Charleston (4)	\$ 154.00	\$ 88.00			\$ 88.00	\$ 17.70	\$ 70.30	\$ 66.00		
Cooper River Bridge Demolition (completed)	\$ 62.10	\$ -	\$ -	\$ 62.10	\$ 62.10	\$ 62.10			-	
Dorchester County (5)	\$ 242.00	\$ 53.00			\$ 53.00	\$ 16.20	\$ 36.80	\$ 189.00		
DOT Statewide Bridge Repl (Multi-Project)(6) (completed)	\$ 12.00	\$ -		\$ 12.00	\$ 12.00	\$ 12.00				
Florence County (7)	\$ 465.00	\$ 309.00	\$ 156.00		\$ 465.00	\$ 232.10	\$ 232.90			
Horry County (completed)	\$ 1,142.60	\$ 383.00	\$ 550.60	\$ 209.00	\$ 1,142.60	\$ 1,139.00			-	\$ 3.60
Horry County (2007 local sales tax program) (8)	\$ 321.00	\$ 225.00			\$ 225.00	\$ 165.30	\$ 59.70	\$ 93.60	\$ 2.40	
Jasper County/Hardeeville (9)	\$ 4.47	\$ 3.90			\$ 3.90	\$ 1.30	\$ 2.60	\$ 0.57		
Lexington County (completed)	\$ 115.00	\$ 48.00	\$ 59.00		\$ 107.00	\$ 105.00		\$ 2.00	\$ 6.00	\$ 2.00
Mount Pleasant (completed)	\$ 57.41	\$ 57.41			\$ 57.41	\$ 55.00				\$ 2.41
SCDOT - Guardrails (completed) (10)	\$ 34.00	\$ 30.00			\$ 30.00	\$ 30.00			\$ 4.00	
Upstate GRID (completed) (11)	\$ 617.00	\$ 406.00		-	\$ 406.00	\$ 406.00		\$ 211.00	-	
US17 (loan from Multi Project loan) (completed)	\$ 20.00	\$ -		\$ 20.00	\$ 20.00	\$ 20.00				
US17 (loan) (completed)	\$ 82.00	\$ -		\$ 82.00	\$ 82.00	\$ 82.00				
York County (completed)	\$ 276.00	\$ 176.80		-	\$ 176.80	\$ 176.80		\$ 99.00	-	
Total SIB Approved Projects	\$ 5,942.68	\$ 2,852.81	\$ 939.00	\$ 1,030.10	\$ 4,821.91	\$ 3,667.40	\$ 1,135.50	\$ 784.17	\$ 148.40	\$ 19.01

NOTES:

1. Act 98 Projects are: I-85/I-385, Greenville County; I-85, Spartanburg and Cherokee Counties; I-77, Richland County; I-20, Lexington County. Act 98 repealed in 2017.

The Bank's Contribution will now be capped at \$250 M (The amount of revenue collected) plus interest earned on that money. SCDOT to finish payment on all Act 98 projects.

2. Current estimated cost is \$725 million. \$117 million spent on other projects. Project estimate is \$305 million over. Bank participation in project ended by Board Resolution June 26, 2018.

3. Original agreement was \$13.5, City reduced scope of projects. Board granted extension of deadline to expend funds. Second request to extend has been received.

4. Total project costs estimated at \$154. City provide local match of \$66 from various sources. Component project.

5. Dorchester has five projects (US-78, SC-265, US278, Orbg Rd, Berlin Myers Pkwy). Total project costs estimated at \$172.88 for four component projects with match of \$154 M, and \$65 M for Berlin Myers Pkwy with match of \$35 M.

6. Bridges in Charleston, Cherokee, Chester, Chesterfield, Colleton Fairfield, Horry, Jasper, Lancaster, Laurens, Marion, and Union Counties.

7. In 2016, the County and Bank revised IGA to obligate additional Sales Tax Collections and interest as County's increased Bank's final contribution to be determined at the end of project.

8. Original SCTIB contribution was \$325 million. \$10 M transferred to I-73 per agreement with Horry County and SCDOT.

9. According to IGA local participation is up to \$617,700. Component Project. Bank participation in project ended by Board Resolution June 26, 2018.

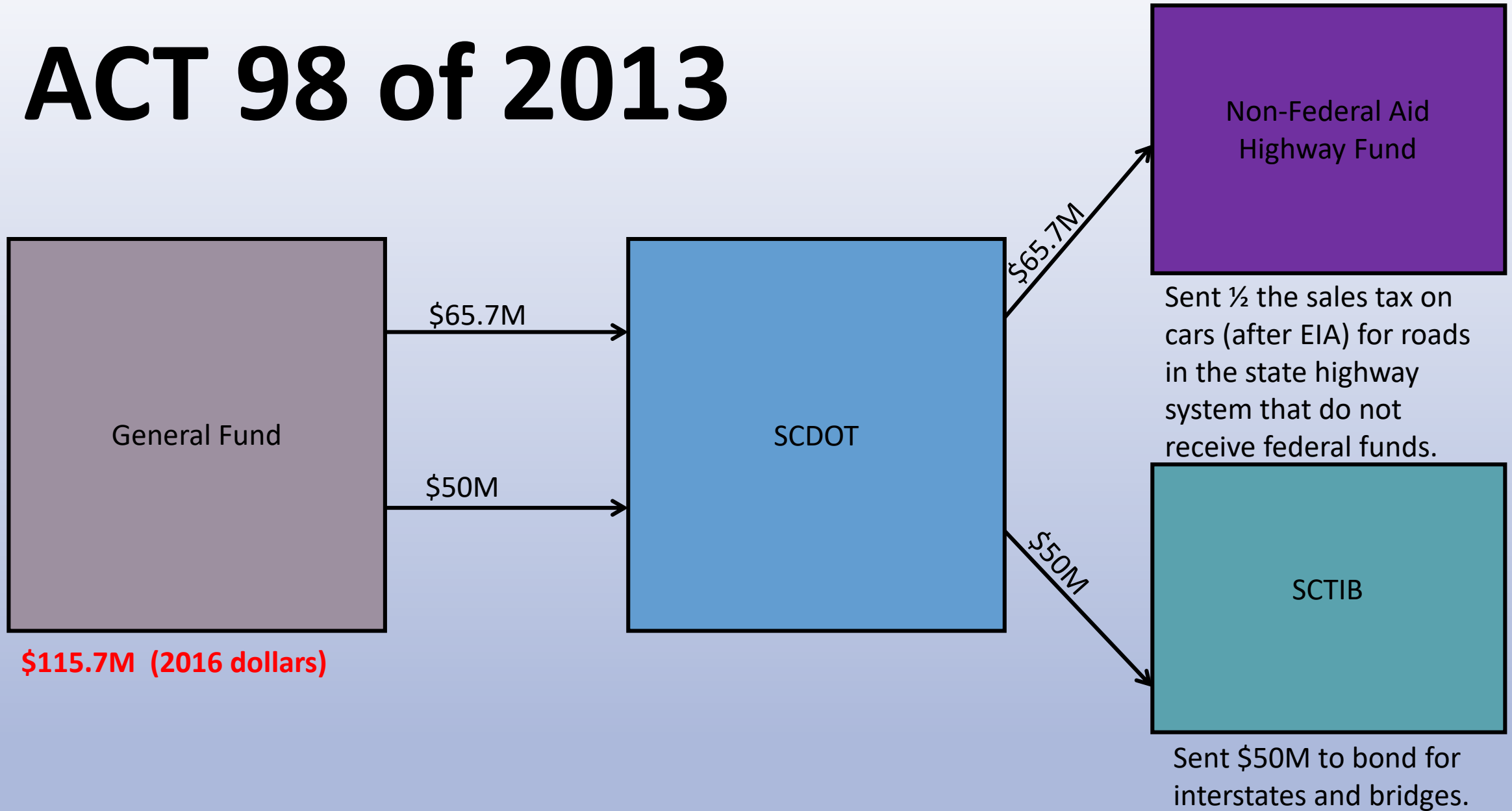
10. Guardrails in Anderson, Calhoun, Charleston, Cherokee, Greenville, Horry, Kershaw, Laurens, Lexington, Newberry, Oconee, Orangeburg, Richland, and Spartanburg Counties.

11. Anderson, Greenville and Spartanburg Counties.

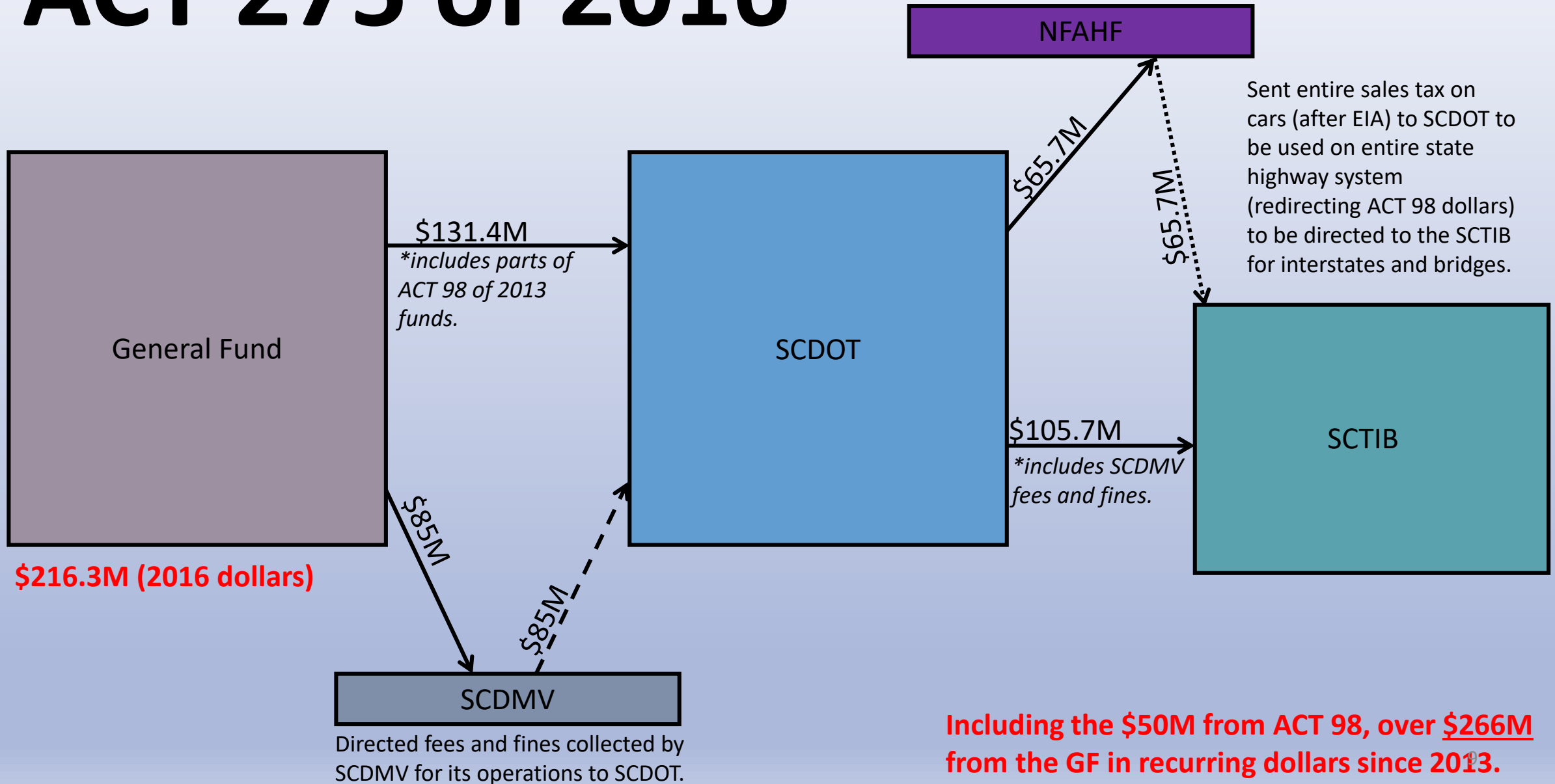
Most Recent Legislative ACTS on Transportation

- **ACT 98 (2013)** – provided direction for road transferal between local governments and SCDOT as well as funding for the Non-Federal Aid Highway Fund (NFAHF) at SCDOT and collaboration between SCDOT and SCTIB on interstate projects.
- **ACT 275 (2016)** – restructured SCDOT, SCTIB and provided funding for the highway system by redirecting certain fees and fines paid to the South Carolina Department of Motor Vehicles (SCDMV) to SCDOT.
- **ACT 40 (2017)** – restructured the SCDOT Commission, increased various fees and fines (crediting the proceeds to a newly established Infrastructure Maintenance Trust Fund (IMTF)) and provided tax relief in the form of an income tax credit against user fee increase/preventative maintenance.

ACT 98 of 2013



ACT 275 of 2016



ACT 40 of 2017

- Permanently increased the user fee by 12¢ per gallon over six (6) years to 28¢ in 2022.
- Increased the allocation to the CTCs by 1.33¢ over three (3) years and increases the donor bonus to \$17M (with an additional \$3.5M to ensure donor counties are made whole).
- Increased biennial motor vehicle registration fees for passenger vehicles and property-carrying vehicles with gross weight of 6,000 lbs. or less by \$16.00.
- Imposed a \$120.00 biennial road user fee on Alternative Fuel vehicles. Imposes a \$60.00 biennial road user fee on Hybrid vehicles.
- Increased the maximum sales tax—now maintenance fee—on motor vehicles to \$500.00 (also sales tax).

- Instituted a refundable credit against the resident's actual motor fuel user fee incurred as a result of 2¢ per year increase or the amount spent on preventative maintenance, whichever is less.

\$630+ M
in new funding at
full implementation

General Fund Redirections to Roads, a Quick Summation

Year	One-Time	Recurring
2013	\$50M – SCDOT bridges	\$109M – ½ sales tax on cars, ACT 98 SCTIB funds
2014	\$13.5M – CTCs	\$110M – ½ sales tax on cars, ACT 98 SCTIB funds
2015	\$216M – CTCs \$70M – Volvo \$10M – CTCs (from Aid to Counties)	\$110M – ½ sales tax on cars, ACT 98 SCTIB funds
2016	\$50M – backfill of NFAHF from ACT 275 redirect \$49M – FEMA flood match \$50M – ACT 92 (2015) SCTIB funds to CTCs	\$116M – ½ sales tax on cars, ACT 98 SCTIB funds \$66M – ½ (remainder) sales tax on cars from ACT 275 \$85M – backfill of SCDMV fees and fines
TOTAL	\$508.5M	\$596M

\$1104.5B from the General Fund since 2013.

\$216M permanent (2016-onward) recurring reduction from the General Fund.

Road Funding... and Tax Cuts

	FY2018-19 (<i>year 2</i>)	FY22-23 (<i>year 6, full implementation</i>)
New Road Funding	\$281M	\$622M
- REBATE*	-\$40M	-\$114M
- Earned Income Tax Credit (<i>nr</i>)	-\$20M	-\$40M
- Enhanced Two Wage Earner Credit (<i>nr</i>)	-\$3M	-\$16M
- Enhanced College Tuition Tax Credit (<i>nr</i>)	-\$6M	-\$7M
- Manufacturing Property Tax Exemption	-\$6M	-\$30M
Total Tax Relief	\$75M	\$207M

*rebate sunsets in FY2023 unless reauthorized by the General Assembly. Rebate is paid for by the SCDOT first using the revenues generated from the maintenance fee imposed on out-of-state motorists and then by other unrestricted revenues available to the department. **indicates from General Fund.*

Motor Fuel User Fee - \$490M in YEAR 10 – *effective July 1, 2017*

- Permanently increases the motor fuel user fee by 2¢ per gallon on:
 - o July 1, 2017 – 18¢
 - o July 1, 2018 – 20¢
 - o July 1, 2019 – 22¢
 - o July 1, 2020 – 24¢
 - o July 1, 2021 – 26¢
 - o July 1, 2022 – 28¢
- Credits all funds generated by the increase to the IMTF at SCDOT. Repeals the section subjecting motor fuel stored in tankards at the time of the increase to the increase.
- Deletes the transmission of ten (10%) percent of the .25¢ per gallon inspection fee to the Department of Agriculture via the Department of Revenue (SCDOR), effectively crediting all of the proceeds of the fee to the NFAHF.

Registration & Alternative Vehicle Fees

Motor Vehicle Registration - \$31.7M in YEAR 10 – *effective* January 1, 2018

- Increases biennial motor vehicle registration fees for passenger vehicles and property-carrying vehicles with gross weight of 6,000 lbs. or less by \$16.00. In addition to the truck fees established in 56-3-660.
- Credits \$16.00 from the fee increase to the IMTF.

Alternative/Hybrid Vehicles - \$2.6M in YEAR 10 – *effective* January 1, 2018

- Imposes a \$120.00 biennial road user fee on Alternative Fuel vehicles.
- Imposes a \$60.00 biennial road user fee on Hybrid vehicles.
- Fee is credited to the IMTF and is to be collected concurrent with vehicle registration.

CTCs - \$40M additional allocation to current \$75M level in YEAR 5 onward – *effective* July 1, 2017

- Increases the C-fund allocation of the motor fuel user fee by .3325¢ per gallon on:
 - July 1, 2018 – 2.9925¢
 - July 1, 2019 – 3.325¢
 - July 1, 2020 – 3.6575¢
 - July 1, 2021 – 3.990¢
- Directs the proceeds resulting from the increase to be spent exclusively on repairs, maintenance and improvements to the state-highway system.
- Increases “donor county” bonus from current \$9.5 M to \$17 M to continue to be transferred from SCDOT. Sets guidelines for an additional allocation of \$3.5 M should the \$17 M not make “donor counties” whole that is to be divided amongst the donor counties as currently distributed: ratio of excess county allocation to all excess allocations.

Maintenance Fee & Sales Tax - \$74.4 M (in-state), \$22.7 M (out-of-state) in YEAR 10 – *effective July 1, 2017*

Sales Tax on Conveyances

- Increases the cap from \$300.00 to \$500.00 and credits the revenue increase to the IMTF (20% of the sales tax goes to the Education Improvement Act (EIA) fund (Section(s) 12-36-2620(1) and 12-36-2640(1), 59-21-1010)).
- After June 30, 2017, maximum tax imposed only applies to vehicles not subject to the “infrastructure maintenance fee.”

Infrastructure Maintenance Fee

- Imposes an “infrastructure maintenance fee” in addition to registration fees that must be paid upon registering a vehicle and is to be credited to the IMTF.
- The fee equals 5%, not to exceed \$500.00, of the sales price/fair market value. The fee is \$250.00 if the vehicle is registered in another state and then subsequently registered in South Carolina. Active duty members of the Armed Forces are exempt from this provision.
- Mimics language from Act 275 of 2016 directing funds to cover interstates and bridges.

Motor Carriers - \$10.6 M in YEAR 10 – *effective January 1, 2019*

- Beginning January 1, 2019, SCDMV will annually assess the road use fee on large commercial vehicles and buses based on annual depreciation, a 9.5% assessment ratio and an average millage published by July 1 of each year.
- SCDOR, in consultation with the Revenue and Fiscal Affairs Office (RFA), will calculate the millage to be used to determine the road use fee by June 1 of each year.
- 75% of the revenues from the road use fee and the one-time fee must be distributed based on the ratio of federal and state highway miles within the county to total federal and state highway miles in all counties (12-37-2870) on the last day of the month following the month when the fee was paid. The remaining 25% is to be deposited into the IMTF for expansion and improvements to existing mainline interstates.

H. 3516 FISCAL IMPACT - MAY 31, 2017

Fee Revenue (Millions of Dollars)

Fiscal Year	Motor Fuel Fee Increase (Total of \$0.12 over 6 years)	Increased Vehicle Registration Fee Revenue	Hybrid and Alternative Fuel Vehicle Fee Revenue	Maintenance Fee/Sales Tax	Out-of-State Transfers	Motor Carrier Fee Revenue	Total Additional Road Funding
1	2	3	4	5	6	7	8
FY 2017-18	\$68.9	\$12.7	\$0.7	\$74.4	\$20.1	\$0.0	\$176.7
FY 2018-19	\$154.0	\$26.1	\$1.5	\$74.4	\$20.3	\$4.3	\$280.5
FY 2019-20	\$234.3	\$26.7	\$1.6	\$74.4	\$20.6	\$8.9	\$366.6
FY 2020-21	\$316.9	\$27.4	\$1.7	\$74.4	\$20.9	\$9.1	\$450.4
FY 2021-22	\$401.7	\$28.1	\$1.8	\$74.4	\$21.2	\$9.4	\$536.5
FY 2022-23	\$485.8	\$28.8	\$2.0	\$74.4	\$21.5	\$9.6	\$622.0
FY 2023-24	\$487.0	\$29.5	\$2.1	\$74.4	\$21.8	\$9.8	\$624.6
FY 2024-25	\$488.1	\$30.2	\$2.3	\$74.4	\$22.1	\$10.1	\$627.2
FY 2025-26	\$489.3	\$30.9	\$2.5	\$74.4	\$22.4	\$10.3	\$629.8
FY 2026-27	\$490.7	\$31.7	\$2.6	\$74.4	\$22.7	\$10.6	\$632.7

Notes:

2 - Beginning July 1, 2017, fee increase of \$0.02 per year for 6 years, for a total of \$0.12. FY 2017-18 represents eleven months of a fiscal year.

3 - Effective date is January 1, 2018. FY 2017-18 represents six months of a fiscal year. Additional revenue is based upon growth rate of 2.46% from DMVs monthly Active Registration by County Plate Class and Vehicle Type report.

4 - Effective date is January 1, 2018. FY 2017-18 represents six months of a fiscal year. Additional revenue for FY 2017-18 to FY 2023-24 based upon DMV data. Additional revenue for hybrid vehicles for FY 2024-25 to FY 2026-27 based on 7.73% growth rate. Additional revenue for alternative fuel vehicles for FY 2024-25 to FY 2026-27 based on growth rate of 10.7%.

5 - Effective date is July 1, 2017. Projections based upon base year revenue adjusted for increased maximum tax. Maximum increased to \$500.

6 - Effective date is July 1, 2017. Additional revenue for FY 2017-18 is based on U.S. Census Bureau's migration data. Additional revenue for FY 2018-19 to FY 2026-27 based upon growth rate of 1.4% for S.C. population growth. Out-of-State fee is \$250.

7 - Effective date is January 1, 2019. Additional revenue projected based upon historical long-range average growth of 2.5%. FY 2018-19 reflects a partial year.

8 - Total additional road funding.

Thank You

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