

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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HOUSE BILL 645
Committee Substitute Favorable 4/20/11
PROPOSED COMMITTEE SUBSTITUTE H645-PCS11268-ME-27

Short Title: Motor Fuel Excise Tax Adjustment & Studies.

(Public)

Sponsors:

Referred to:

April 6, 2011

A BILL TO BE ENTITLED

AN ACT TO PROVIDE A TEMPORARY CAP FOR THE MOTOR FUEL EXCISE TAX RATE, TO ADJUST THE 2011-2012 BUDGET FOR THE DEPARTMENT OF TRANSPORTATION, TO STUDY TRANSPORTATION REVENUES, AND TO STUDY THE IMPACT TO THE STATE OF A REDUCTION IN FEDERAL TRANSPORTATION FUNDING.

The General Assembly of North Carolina enacts:

SECTION 1. Temporary Fuel Tax Cap. – Notwithstanding G.S. 105-449.80(a), for the period January 1, 2012, through June 30, 2012, the variable wholesale component of the motor fuel excise tax rate may not exceed seventeen and one-half cents (17 1/2¢) per gallon.

SECTION 2. Highway Fund Adjustments. – (a) Notwithstanding S.L. 2011-145, S.L. 2011-391, or any other provision of law, the Department of Transportation shall have management flexibility in fiscal year 2011-2012 to achieve ninety-five million eight hundred thirty-five thousand five hundred eighty-seven dollars (\$95,835,587) in savings in expenditures from the Highway Fund. In making the management flexibility reductions required under this section, the Department of Transportation may reduce program allocations, but shall continue to use the statutory program distribution formulas that ensure the equitable distribution of highway funding throughout the State within a given program. In making the management flexibility reductions required under this section, the Department of Transportation may eliminate positions and shall make pro rata reductions in programs, including administration and transfers to other State agencies.

SECTION 2.(b) Notwithstanding G.S. 136-44.2 or any other provision of law, the Department of Transportation shall use the sum of thirty-one million seven hundred forty-four thousand four hundred sixty-four dollars (\$31,744,464) from the unreserved credit balance in the Highway Fund to reduce the amount of the management flexibility cut required under subsection (a) of this section.

SECTION 2.(c) Part III of S.L. 2011-145, as amended by Section 3 of S.L. 2011-391, reads as rewritten:

"PART III. CURRENT OPERATIONS/HIGHWAY FUND

"CURRENT OPERATIONS/HIGHWAY FUND



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"SECTION 3.1. Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are made for the fiscal biennium ending June 30, 2013, according to the following schedule:

Current Operations – Highway Fund	2011-2012	2012-2013
...		
Total	\$ 2,049,200,000	\$ 2,134,160,000
	<u>\$ 1,985,108,877</u>	

"HIGHWAY FUND AVAILABILITY STATEMENT

"SECTION 3.2. The Highway Fund availability used in developing the 2011-2013 fiscal biennial budget is shown below:

Highway Fund Availability Statement	2011-2012	2012-2013
Unappropriated Balance from Previous Year		
<u>Estimated Unreserved Fund Balance</u>	\$ 24,000,000	\$ 0
Beginning Credit Balance	0	0
<u>Adjustment to Estimated Unreserved Fund Balance</u>	<u>53,110,208</u>	<u>0</u>
Estimated Revenue	2,025,200,000	2,134,160,000
	<u>1,929,364,413</u>	
Total Highway Fund Availability	\$ 2,049,200,000	\$ 2,134,160,000
	<u>\$ 2,006,474,621</u>	
Unappropriated Balance	\$ 0	\$ 0
	<u>\$ 21,365,744"</u>	

SECTION 3. Highway Trust Fund Adjustments. – (a) Part IV of S.L. 2011-145 reads as rewritten:

"PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

"HIGHWAY TRUST FUND APPROPRIATIONS

"SECTION 4.1. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are made for the fiscal biennium ending June 30, 2013, according to the following schedule:

Current Operations – Highway Trust Fund	2011-2012	2012-2013
Intrastate	\$ 460,823,529	\$ 487,503,034
	<u>\$ 440,424,274</u>	
Aid to Municipalities	51,216,036	54,043,432
	<u>49,075,678</u>	
Secondary Roads	43,655,667	49,320,944
	<u>41,515,309</u>	
Urban Loops	263,587,722	212,957,986
	<u>255,339,113</u>	
Program Administration	44,774,400	47,107,200
Turnpike Authority	64,000,000	81,500,000
Transfer to General Fund	76,720,918	27,595,861

1	Transfer to Highway Fund	400,000	400,000
2	Debt Service	79,231,728	81,481,543
3	Mobility Fund	31,000,000	0
4	Reserves	0	45,000,000
5			
6	GRAND TOTAL CURRENT OPERATIONS	<u>\$ 1,115,410,000</u>	\$ 1,086,910,000
7		<u>\$ 1,082,481,420</u>	

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. The Highway Trust Fund availability used in developing the 2011-2013 fiscal biennial budget is shown below:

13	Highway Trust Fund Availability	2011-2012	2012-2013
15	Unappropriated Balance	\$ 75,000,000	\$ 0
16	Estimated Revenue	<u>1,040,410,000</u>	1,086,910,000
17		<u>1,007,481,420</u>	
18			
19	Total Highway Trust Fund Availability	<u>\$ 1,115,410,000</u>	\$ 1,086,910,000
20		<u>\$ 1,082,481,420"</u>	

SECTION 3.(b) In making the reductions required under this section, the Department of Transportation may eliminate positions.

SECTION 4. Report on Reductions. – The Department of Transportation shall report to the House Appropriations Committee and the Senate Appropriations/Base Budget Committee on its implementation of the reductions required by this act. The report shall contain details such as how the Department allocated cuts among the items listed in Section 3.1 of S.L. 2011-145, how programs were affected, how many and which positions were eliminated, where operating savings were found, and which projects were delayed. The Department shall file this report with the appropriations committees no later than February 10, 2012, by submitting copies of the report to the chairs of the appropriations committees, to the chairs of the House Appropriations Subcommittee on Transportation and Senate Appropriations on Department of Transportation Committee, and to the Fiscal Research Division of the General Assembly.

SECTION 5. Study Transportation Revenues. – The Joint Legislative Transportation Oversight Committee shall study the issue of reforming the current motor fuel excise tax formula. This study shall include options to change the method used to tax motor fuels in order to (i) produce consistent revenues without wide rate variations, (ii) reflect consumer consumption and commuting patterns, (iii) create a revenue stream that remains stable in the future as automotive advancements increase fuel economy and offer alternative fuels, and (iv) create a fair and equitable tax system for all users of State-maintained roads. This study shall also evaluate all fees and taxes deposited into the Highway Fund and Highway Trust Fund and include options to modernize, streamline, and reform any applicable taxes and fees. This study shall evaluate the adequacy of current transportation funding and offer recommendations to create a comprehensive tax structure that generates adequate revenues to meet road maintenance and construction needs into the future. In conducting its study, the Joint Legislative Transportation Oversight Committee may hire a consultant with expertise in transportation finance. The Joint Legislative Transportation Oversight Committee shall report its findings along with its recommendations to the 2013 General Assembly upon the convening of the 2013 Regular Session.

SECTION 6. Study Reduction of Federal Allocation. – If the amount of the federal allocation to North Carolina for transportation is reduced by more than ten percent (10%) from the prior year's allocation prior to the convening of the 2012 Regular Session of the 2011

1 General Assembly, then the Joint Legislative Transportation Oversight Committee shall study
2 the impact of the reduction to the State and shall present options and recommendation to the
3 2012 Regular Session of the General Assembly.

4 **SECTION 7.** This act is effective when it becomes law.