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STATE HIGHWAY FUND REVENUE

by Ryan Brendle

This *Issue Brief* discusses sources of revenue to the State Highway Fund (SHF), the primary operating fund used by the Colorado Department of Transportation (CDOT) to manage state transportation projects. The SHF receives revenue from the Highway Users Tax Fund (HUTF), various other revenue and fees, federal funds, and the General Fund. Each of these revenue sources is discussed below.

The Highway Users Tax Fund. The HUTF is the largest contributor of revenue to the State Highway Fund, \$947.3 million in FY 2011-12. The Colorado Constitution specifies that revenue generated from the operation of vehicles on Colorado public highways be used exclusively for the construction, maintenance, and supervision of public highways in the state. The HUTF, established in 1953 by the General Assembly, is the chief fund for dispensing monies to the state and local governments to support transportation projects.

HUTF revenue to the state in FY 2011-12 was \$520.7 million, and comes from three primary areas:

- *Motor fuel taxes* are levied at 22 cents per gallon for gasoline and 20.5 cents per gallon for diesel and special fuels. In FY 2011-12 motor fuel taxes were \$557.2 million, of which \$302.4 million went to the SHF. The balance was transferred to cities and counties.

- *Motor vehicle registrations* are based on the age and weight of the vehicle. This also includes fees related to late vehicle registration. In FY 2011-12, registration revenue totaled \$210.8 million, of which \$107.5 million went to the SHF. The balance was transferred to cities and counties.
- The remaining HUTF revenue comes from *various sources including a daily rental fee, road safety surcharge, oversize/overweight permits, and additional motor vehicle penalty assessments.* In FY 2011-12, revenue from these sources was \$172.8 million, of which \$110.8 million went to the SHF. The balance was transferred to cities and counties.

HUTF funds are distributed monthly by the Department of the Treasury to the SHF, cities, and counties based on a statutory formula. Information on this formula can be found in *Issue Brief* 10-11.

Other SHF revenue is derived from interest on the fund balance, the sale of bid plans and permits, and interest income from the Colorado State Infrastructure Bank. This revenue totaled \$36.5 million in FY 2011-12.

Federal funds. Congress authorizes the expenditure of federal funds by state and local governments through multi-year transportation funding acts. Federal funds are distributed from the federal Highway Trust Fund, which collects federal motor fuel taxes and truck-related taxes and

redistributes them to the states based on a formula specified in federal law. Currently, the federal fuel tax is 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel. The SHF received \$390.1 million in federal funds in FY 2011-12.

General Fund revenue. Over the last 15 years, General Fund revenue has been allocated for transportation purposes by appropriations, transfers, and diversions. The General Assembly can directly appropriate General Fund money to CDOT or transfer money to the Capital Construction Fund to pay for transportation projects. In FY 2011-12, \$500,000 was transferred from the General Fund to the Capital Construction Fund to be used by CDOT for transportation projects.

Money is also scheduled to be transferred in the future to the SHF by Senate Bill 09-228, which replaced previous transportation transfer methods. Under the mechanism, the SHF will receive a five-year block of transfers when Colorado personal income grows by at least 5 percent. Colorado is not expected to see such growth in personal income through at least FY 2014-15.

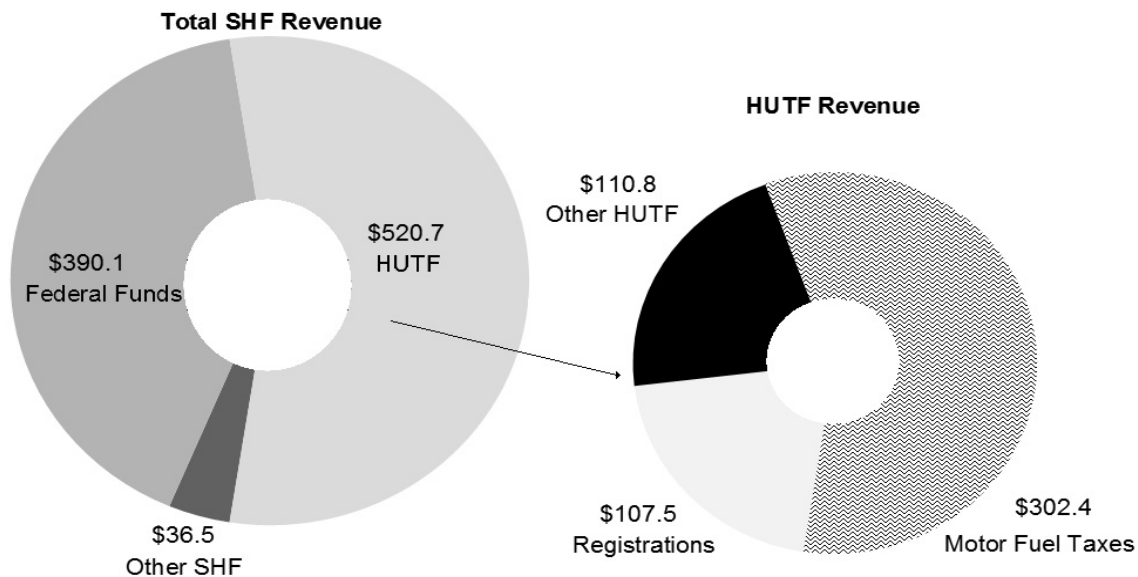
Each year, the transfer will be equal to 2 percent of total General Fund revenue collected that fiscal year (about \$155 million if the transfer had occurred in FY 2011-12).

Additional transportation revenue. There are two additional sources of revenue that are not included in the SHF but are important to Colorado highway projects. The bridge safety surcharge collected \$93.0 million in FY 2011-12. This money funds the state bridge enterprise and is used exclusively to fund bridge repair projects.

Also not included in the SHF are grants to local governments that receive matching federal funds. Local governments contribute funds to the SHF that receive matching funds from the federal government. All funds are then returned to the local governments for specific transportation projects. In FY 2011-12, local matching grants were \$14.9 million.

The revenue to the SHF for FY 2011-12 is displayed in Figure 1.

Figure 1
Revenue to the State Highway Fund, FY 2011-12
(Millions of Dollars)



Source: Colorado Department of Revenue

Note: Figure 1 shows only the state's share of the HUTF, and does not include revenue distributed from the HUTF to "off-the-top" deductions, which support various state transportation-related programs and distributions to cities and counties. Additionally, the figure does not include \$500,000 transferred from the General Fund to the capital construction budget that is used for transportation-related projects.