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FISCAL IMPACT STATEMENT

LS 6583

BILL NUMBER: HB 1076

NOTE PREPARED: Dec 31, 2012

BILL AMENDED:

SUBJECT: State Police and BMV Funding.

FIRST AUTHOR: Rep. Ober

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill removes references to funding from the Motor Vehicle Highway Account (MVH) for the State Police and the Bureau of Motor Vehicles (BMV). It changes the deposit of various motor vehicle-related fees and penalties from the MVH to the state General Fund. The bill changes the deposit of part of the court fees from the MVH to the state General Fund.

Effective Date: July 1, 2013.

Summary of NET State Impact: Using FY 2012 revenue and expense data as a baseline, the bill is estimated to shift \$190.9 M in State Police and BMV expenses from the MVH to the state General Fund. The bill also eliminates \$190.3 M of reimbursements, BMV revenue, and court fee revenue that currently go to the MVH to the state General Fund. The net impact is a loss of \$0.6 M to the General Fund and a gain of \$0.3 M to the State Highway Fund (INDOT). Therefore, the total net loss to the state is \$0.3 M.

Explanation of State Expenditures: *Shifting State Police Expenses from MVH to General Fund:* In FY 2012, State Police expenses paid out of the MVH totaled \$158.4 M. Gross State Police expenses are offset by a variety of reimbursements to the MVH, including federal grants, General Fund reimbursements, Motor Carrier Fund reimbursement, Toll Road reimbursement, and Gaming Commission reimbursements. These reimbursements totaled \$67.9 M in FY 2012. Therefore, the net State Police expense paid out of the MVH in FY 2012 was \$90.5 M.

The bill removes the requirement that the MVH pay one-half of the amount appropriated to the State Police Department for its operations. However, it is sometimes the case (depending on funding decisions made in the

corresponding biennial budget) that the MVH pays in excess of one-half of the State Police expenses in a given year. In FY 2012, for example, the MVH actually paid closer to 57% of gross State Police expenses for the year. Therefore, this analysis assumes that subsequent budgets will not appropriate any funding from the MVH for State Police expenses. Given that assumption, shifting the responsibility for payment of net State Police expenses from the MVH to the state General Fund would result in \$90.5 M in additional MVH funding available for distribution to INDOT, counties, and cities and towns.

Changes Deposits of BMV Revenues and Removes Reference to MVH: The bill removes BMV-related deposits (motor vehicle-related fees and penalties) from the MVH and instead makes these deposits to the state General Fund. In FY 2012, vehicle fees, registration, title, and license fees totaled \$172.9 M, of which \$118.8 M were deposited into the MVH.

Due to the removal of all BMV-related revenues from the MVH, this analysis assumes that subsequent budgets will not appropriate any funding from the MVH for BMV expenses. In FY 2012 BMV expenses paid out of the MVH totaled \$33.4 M. Given that assumption, shifting the responsibility for payment of BMV expenses from the MVH to the state General Fund would result in a net loss of \$85.4 M of available MVH funding for distribution to INDOT, counties, and cities and towns.

Removal of Court Fee Revenue: Currently, the MVH receives a share of state court fees, as distributed by the Treasurer of State, which amounts to approximately \$3.6 M each fiscal year. The bill removes this revenue from the MVH and instead deposits the funds into the state General Fund.

Background Information Transportation Funding: Motor Vehicle Highway Account and Distribution: The MVH is funded through a combination of revenue sources including portions of the Gasoline Tax, Special Fuel Tax, Motor Carrier Fuel Use Tax/Surtax, Vehicle Registration, Title Fees, and other smaller sources of revenue. Of the total available for distribution, 53% goes to the State Highway Fund (INDOT), and 47% to local units. The local MVH distribution method is different for counties and cities and towns. For cities and towns, it is entirely population-based. For counties, 5% of the amount available is distributed equally to all counties, 30% is based on county vehicle registration, and 65% is mileage-based. Local MVH distributions are used by counties, cities, and towns for the expenses of highway and street departments, construction, maintenance, and reconstruction cost of roads, and equipment purchases. Cities and towns may use a portion of their distribution for public safety expenditures.

Motor Vehicle Highway Account Expenses: The Auditor of State each month makes MVH distributions to INDOT, counties, and cities and towns. Each month, a variety of “off the top” expenses are paid out of the MVH by the Auditor of State prior to making the distributions to INDOT, counties, and cities and towns. According to current law, these include one-half of the amount appropriated for the State Police, traffic safety program expenses, as well as expenses incurred in the collection of MVH revenues. Specifically, these collection expenses include the Department of State Revenue fuel tax collection expenses, BMV expenses (not including license branch expenses, but including license plate production expense), and various other small related expenses. Gross State Police expenses are offset by a variety of reimbursements including federal grants, existing General Fund reimbursements, Motor Carrier Fund reimbursement, Toll Road reimbursement, and Gaming Commission reimbursements.

Explanation of State Revenues:

Summary of NET Local Impact: It is estimated that the bill will increase MVH funding to counties and cities and towns by \$0.3 M.

Explanation of Local Expenditures:

Explanation of Local Revenues: *See Explanation of State Expenditures and Summary of NET Local Impact.*

State Agencies Affected: Indiana State Police, Bureau of Motor Vehicles, Indiana Department of Transportation, Treasurer of State.

Local Agencies Affected: Counties; Cities and Towns.

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations FY 2012*; Dan Bastin, Indiana Auditor of State Office, dbastin@auditor.in.gov; Bill Weinmann, Indiana Department of Transportation, jweinmann@indot.in.gov.

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