B&C Road Revenues Fail the Revenue Adequacy Test

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B&C Road Revenues Fail the Revenue Adequacy Test. One of the major principles of taxation is maintaining an adequate stream of revenues. Revenues should match the increases in the local economy for which it represents. If revenues do not keep up with local economic growth, policy makers will be forced to come back to the table and raise tax rates, not a politically viable thing to do.

B&C road revenues to Utah's cities did not keep up with Utah's economy or other major revenue sources enacted to provide resources to for state and local governments. Between FY2001 and FY2007 B&C Road Tax revenues to Utah's cities rose from $62.9 million to $78.8 million, an increase of 25.2%.

If we assume costs to maintain and build new city streets depend on city population growth and the price index for highways and streets construction, then revenues should have grown 49.8% in the same time frame (Table 1). B&C Road revenue growth of 25.% also fell short of Utah's economic growth as measured by Gross State Product in the same time period of 44.7%.

Table 1.

(In millions)	FY 2001	FY 2007	Percent Change
B&C Road Revenues[1]	$ 62.88	$ 78.76	**25.2%**
Utah Population[2]	1.95	2.24	14.4%
Highways and Streets Producer Price Index	136.5	184.8	35.4%
Total Cost Index			**49.8%**
Utah Gross State Product	$ 67,568	$ 97,749	**44.7%**

B&C Road revenues also did not grow as fast as other major revenue sources utilized to pay for state and local services. The 25.2% growth in B&C Road revenues between FY2001 and FY2007 fell significantly short of the 41% growth in state individual income taxes, 47% growth in local sales taxes and 138% growth in corporate franchise taxes during the same time frame (Table 2).

Table 2.

($ in millions)	FY 2001	FY 2007	Percent Change
B&C Road Revenues	$ 62.88	$ 78.76	**25.2%**
Individual Income Tax	$ 1,713.1	$ 2,415.0	**41.0%**
Local Sales Tax	$ 314.3	$ 463.3	**47.4%**
Corporate Franchise Tax	$ 174.4	$ 415.0	**138.0%**

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[1] Figure represents B&C allocation to cities (counties not included).
[2] Population number is the municipal portion of the state population.