

Fiscal Estimate - 2003 Session

Original Updated Corrected Supplemental

LRB Number 03-1409/1 **Introduction Number** AB-242

Subject
 Annual adjustment of motor vehicle fuel tax rate

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

Increase Existing Appropriations Increase Existing Revenues Increase Costs - May be possible to absorb within agency's budget
 Decrease Existing Appropriations Decrease Existing Revenues Yes No
 Create New Appropriations Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. Increase Costs 3. Increase Revenue 5. Types of Local Government Units Affected

Permissive Mandatory Permissive Mandatory Towns Village Cities
 Decrease Costs 4. Decrease Revenue Counties Others
 Permissive Mandatory Permissive Mandatory School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS See listing within Fiscal Estimate.

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOT 4/11/2003

LRB Number	03-1409/1	Introduction Number	AB-242	Estimate Type	Original
Subject					
Annual adjustment of motor vehicle fuel tax rate					

Assumptions Used in Arriving at Fiscal Estimate

For the purpose of this analysis, it is assumed that AB-242 refers to gasoline, gasohol and diesel fuels only. The motor vehicle fuel tax rate is recomputed annually by the Department of Revenue on April 1 based on the annual change in the Consumer Price Index-Urban (CPI). The current motor fuel tax rate in Wisconsin is \$0.311. Of this amount, 3 cents per gallon is dedicated to the Petroleum Environmental Clean-up Fund and \$0.281 is dedicated to the Transportation Fund. For the purposes of this estimate, the motor fuel tax rate references only that portion that is dedicated to the Transportation Fund.

Based on changes in CPI, the motor fuel tax rate increased from \$0.281 per gallon to \$0.285 per gallon on April 1, 2003. Based on forecast changes in CPI produced by Global Insight, Inc., the motor fuel tax rate is forecast to increase to \$0.292 per gallon on April 1, 2004 and \$0.299 per gallon on April 1, 2005. Based on these forecast changes in the motor fuel tax rate, total motor fuel tax collections are forecast to be \$900.9 million in FY 2003, \$941.5 million in FY 2004, and \$ 989.3 million in FY 2005. These projected revenues are incorporated into the current transportation fund condition and will be part of the Governor's recommended budget submittal.

Under AB-242, the motor vehicle fuel tax rate would not be adjusted for inflation each April 1 and remain at \$0.281 per gallon.

Affected Ch. 20 Appropriations

20.395 (1) (ar), 20.395 (1) (as), 20.395 (1) (at), 20.395 (1) (br), 20.395 (1) (bs), 20.395 (1) (bt), 20.395 (1) (cq), 20.395 (1) (cr), 20.395 (1) (fq), 20.395 (1) (fs), 20.395 (1) (ft), 20.395 (1) (fu), 20.395 (1) (gq), 20.395 (1) (gr), 20.395 (1) (hq), 20.395 (1) (hr), 20.395 (1) (hs), 20.395 (1) (ht), 20.395 (1) (hu), 20.395 (2) (aq), 20.395 (2) (bq), 20.395 (2) (bu), 20.395 (2) (cq), 20.395 (2) (cr), 20.395 (2) (ct), 20.395 (2) (dq), 20.395 (2) (ds), 20.395 (2) (eq), 20.395 (2) (fr), 20.395 (2) (gj), 20.395 (2) (gq), 20.395 (2) (gr), 20.395 (2) (gs), 20.395 (2) (hq), 20.395 (2) (iq), 20.395 (2) (jq), 20.395 (3) (bq), 20.395 (3) (cq), 20.395 (3) (cr), 20.395 (3) (eq), 20.395 (3) (iq), 20.395 (3) (ir), 20.395 (4) (aq), 20.395 (4) (ar), 20.395 (4) (et), 20.395 (4) (ew), 20.395 (5) (cq), 20.395 (5) (dq), 20.395 (5) (hq), 20.395 (5) (jr), 20.395 (6) (aq), 20.395 (6) (ar)

Long-Range Fiscal Implications

Prior to 1985, Wisconsin's motor fuel tax rate was adjusted through direct changes by the Legislature. In 1985, the Legislature enacted an indexing formula to maintain the purchasing power of the Transportation Fund; protecting the fund from the eroding effects of inflation.

Eliminating the annual (April 1) adjustment to the motor fuel tax rate would result in the permanent loss of an estimated \$0.004 per gallon increase in the motor vehicle tax rate for 2003. Additionally, the forecast increase of \$0.007 per gallon in both 2004 and 2005 would be lost permanently. The Transportation Fund would experience a decline in projected revenues of \$3.4 million in FY 2003, \$19.1 million in FY 2004 (the first full FY of lost revenue impacts) and \$43.2 million in FY 2005. The total lost revenue impact in the 2003-2005 biennium would be \$62.3 million. Annual lost revenue to the Transportation Fund would grow because the elimination of indexing has a cumulative impact each year.

Eliminating the projected rate increase scheduled for April 1, 2003 will leave a shortfall in revenues for FY 2003 of \$3.4 million. Estimated revenues from projected rate increases were incorporated into the Department's budget and are incorporated into the Governor's budget submittal for the 2003-2005 biennium. Eliminating indexing of the motor fuel tax rate will leave an imbalance in budgeted revenues and expenditures for FY 2004 and FY 2005 now that the Governor submitted his budget request. The \$62.3 million imbalance between

revenues and expenditures would need to be addressed by the legislature as part of their work on the 2003-05 biennial budget.

Elimination of indexing could result in decreased funding available to local governments. Without indexing, local programs such as general transportation aids and transit aids could experience a decrease in available funding. To maintain the current level of funding for these programs, the department would need to backfill with funding from other programs, including highway projects, highway rehabilitation and maintenance, and the Divisions of Motor Vehicle Services and the State Patrol.

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-1409/1	Introduction Number AB-242	
Subject		
Annual adjustment of motor vehicle fuel tax rate		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
Annualized Fiscal Impact on funds from:		
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		-19,000,000
TOTAL State Revenues	\$	-\$19,000,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-19,000,000	\$
Agency/Prepared By	Authorized Signature	Date
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