

### Fiscal Estimate - 2015 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>15-4623/1</b>	<b>Introduction Number</b> <b>AB-0972</b>	
<b>Description</b> Increasing the motor vehicle fuel tax rate to pay debt service on transportation bonding and adjusting the rate by the annual average change in the consumer price index		
<b>Fiscal Effect</b>  <b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input checked="" type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs             3. <input type="checkbox"/> Increase Revenue             5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs             4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.395(6) (ae)		
<b>Agency/Prepared By</b> DOR/ Robert Schmidt (608) 266-5773	<b>Authorized Signature</b> Robert Schmidt (608) 266-5773	<b>Date</b> 3/8/2016

## Fiscal Estimate Narratives

DOR 3/8/2016

LRB Number	15-4623/1	Introduction Number	AB-0972	Estimate Type	Original
<b>Description</b> Increasing the motor vehicle fuel tax rate to pay debt service on transportation bonding and adjusting the rate by the annual average change in the consumer price index					

### Assumptions Used in Arriving at Fiscal Estimate

The motor fuel tax is an excise tax levied on a per gallon basis on motor vehicle fuel (gasoline, including gasoline blended with ethanol, and diesel). The 1983-85 biennial budget established annual indexing of the motor fuel tax rate based on the change in the U.S. Consumer Price Index (CPI). 2005 Act 85 repealed indexing after April 1, 2006 when the tax was set at the current rate of \$0.309 per gallon.

The bill reinstates indexing of the motor fuel tax for inflation beginning with the tax imposed on April 1, 2016. The bill requires the Department of Revenue (DOR) to recalculate and publish the motor fuel tax rate based on the change in the annual average CPI for the previous year. In addition, the bill increases the motor fuel tax rate by \$0.05 per gallon effective April 1, 2016. Under the bill, additional revenue generated from the \$0.05 increase will be credited to the GPR appropriation for debt service on contingent funding of major highway and rehabilitation projects.

The CPI increased 0.12% for the 12 months ending December 31, 2015. Applying this change to the current fuel tax rate would result in no change to the tax rate on April 1, 2016 aside from the \$0.05 increase.

Based on the February 2016 CPI forecast from IHS, motor fuel tax rate increases would be as follows:  
April 1, 2016: \$0.05 per gallon, bringing the rate to \$0.359 per gallon  
April 1, 2017: \$0.002 per gallon, bringing the rate to \$0.361 per gallon  
April 1, 2018: \$0.008 per gallon, bringing the rate to \$0.369 per gallon

The April 1 effective date of each change would increase the tax rate imposed during the final quarter of the corresponding fiscal year. Current law imposes a floor tax on fuel inventories held by distributors prior to a tax rate change. Based on floor tax collections from 2000 through 2005, the floor tax typically generates \$400,000 for a 1-cent increase in the fuel tax rate. Based on projections of fuel consumption provided by DOT and assuming even quarterly distributions of motor fuel taxes, transportation fund revenue and GPR would increase by the following amounts for each fiscal year:

FY16: \$500,000 (SEG) | \$42.1 million would be credited to the debt service appropriation (GPR)  
FY17: \$1.7 million (SEG) | \$168.6 million credited to the debt service appropriation (GPR)  
FY18: \$13.8 million (SEG) | \$169.0 million credited to the debt service appropriation (GPR)  
The revenue increase grows as the indexed fuel tax rates in future years exceed the current law rate.

DOR would incur administrative costs, some of which could be absorbed in the department's budget. DOR's computer system will need to be programmed to accommodate fuel tax indexing and floor tax returns with one-time programming costs estimated to be \$54,000. This cost can be absorbed with existing budget resources.

One additional position will be required to implement indexing requirements, notify fuel tax registrants of the tax rate changes, respond to questions, and process inventory tax returns. The department estimates the ongoing annual costs to be \$68,000. The department cannot absorb this amount with existing resources.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
<b>II. Annualized Costs:</b>		
<b>Annualized Fiscal Impact on funds from:</b>		
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$68,000	\$
(FTE Position Changes)	(1.0 FTE)	
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$68,000</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR	68,000	
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$68,000	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
DOR/ Robert Schmidt (608) 266-5773		3/8/2016
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