

Fiscal Estimate Narratives

DOR 4/11/2005

LRB Number	05-2058/1	Introduction Number	AB-236	Estimate Type	Original
Subject					
Exempting local governments from the motor vehicle fuel tax					

Assumptions Used in Arriving at Fiscal Estimate

This bill exempts any University of Wisconsin System institution, city, village, town, county, school district, or technical college district in this state from paying the excise tax imposed on gasoline and diesel fuel. This bill takes effect on July 1, 2005.

The fuel tax rate was adjusted annually for inflation based on the projected U.S. consumer price index and estimated by the Department at 29.9 cents per gallon for FY06 and at 30.5 cents for FY07.

City, Village, Town and County Fiscal Effect

According to the Department of Transportation Cost Allocation Study, in 1989 vehicles owned by counties and municipalities (towns, villages, and cities), consumed 36.6 million gallons of fuel. A more recent study is not available. Assuming county and municipality fuel consumption grew at the same rate as statewide fuel consumption between 1989 and 2005, it is estimated that vehicles owned by counties and municipalities will consume 48.9 million gallons of fuel in FY06 and 49.6 million gallons in FY07. The revenue loss from exempting counties and municipalities is estimated to be \$14.6 million in FY06 and \$15.1 million in FY07.

School Districts Fiscal Effect

According to the Department of Public Instruction, in 2003 school districts spent \$9.07 million on motor fuel, which is equivalent to the consumption of 5.56 million gallons of fuel, based on the average price of fuel of \$1.63 per gallon. Based on statewide growth in fuel consumption, fuel consumption by school districts in Wisconsin was estimated at 5.87 million gallons in FY06 and at 5.94 million gallons in FY07. Based on the estimated future consumption of fuel by school districts and the estimated fuel tax rate, the tax revenue loss is projected at \$1.75 million in FY06 and \$1.81 million in FY07. This estimate does not include fuel taxes paid by companies that transport students under contract with a school district, such as Milwaukee and Madison, the largest districts in the state.

Technical College Districts

According to the Wisconsin Technical College system, in 2002-03 the colleges used 233,600 gallons of fuel. The Wisconsin Technical College System staff believes that this amount will remain relatively unchanged during the next five years. So the estimated revenue loss will amount to \$70,000 in FY06 and \$71,000 in FY07.

University of Wisconsin System

The UW System used approximately 832,000 gallons of motor fuel in 2003. Assuming fuel consumption grows 4% per year, the fuel consumption would increase to 870,000 gallons in FY06 and 900,000 gallons in FY07. The revenue loss is estimated to be \$260,000 in FY06 and \$274,000 in FY07.

Overall State Fiscal Effect

The combined loss of fuel tax revenues from exempting the UW system, counties, municipalities, and school districts is estimated to be \$16.7 million in FY04 and \$17.3 million in FY05.

Department of Revenue Operating Costs

Total one-time administrative costs are estimated at \$30,100. They include: one-time costs for forms revision, printing and mailing of \$2,000 and computer programming costs of \$8,100 for work done in-house and \$20,000 for work done by outside contractors. Processing costs are minimal and can be absorbed by the department.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
One-time administrative costs are estimated at \$30,100, consisting of \$2,000 for printing and \$28,100 for computer programming.			
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			-16,700,000
TOTAL State Revenues		\$	-\$16,700,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		-\$16,700,000	\$
Agency/Prepared By		Authorized Signature	Date
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