

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-0432/1	Introduction Number AB-303
------------------------------------	--

Subject
 Annual adjustment of motor vehicle fuel tax rate

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input 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"/> Village <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

Fund Sources Affected	Affected Ch. 20 Appropriations
<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	

Agency/Prepared By DOT/ Joshua Peacock (608) 264-8715	Authorized Signature Carol Buckmaster (608) 267-6979	Date 4/20/2005
---	--	--------------------------

Fiscal Estimate Narratives

DOT 4/20/2005

LRB Number	05-0432/1	Introduction Number	AB-303	Estimate Type	Original
Subject					
Annual adjustment of motor vehicle fuel tax rate					

Assumptions Used in Arriving at Fiscal Estimate

For the purposes of this analysis, it is assumed that AB 303 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 Consumer (CPI-U). The current motor fuel tax rate is \$0.329 per gallon. Of this amount, 3 cents per gallon is dedicated to the Petroleum Environmental Clean-up Fund Award Program and \$0.299 is dedicated to the Transportation Fund. AB 303 impacts only the portion of the motor fuel tax rate that is indexed, which is the \$0.299 dedicated to the Transportation Fund.

Based on the changes in CPI-U, the motor fuel tax rate increased from \$0.291 per gallon to \$0.299 per gallon on April 1, 2005. Based on forecast changes in CPI-U produced by Global Insight, Inc. the motor fuel tax rate is forecast to increase to \$0.305 on April 1, 2006, and to \$0.310 on April 1, 2007. Based on these forecast changes in the motor fuel tax rate, total motor fuel tax collections are forecast to be \$958.5 million in FY 2005, \$992.6 million in FY 2006, and \$1,025.6 million in FY 2007. These projected revenues are incorporated into the current Transportation Fund condition and will be used in the deliberations by the Legislature of the Governor's 2005-07 budget proposal.

Under AB 303, the motor fuel tax rate would not be adjusted for inflation on April 1 of each year starting with the April 1, 2006 adjustment. The motor fuel tax rate would remain at \$0.299 per gallon unless changed by an act of the Legislature.

Because the Transportation Fund is a unified fund, all SEG funded appropriations within the Fund would be impacted by the proposed change to motor fuel indexing. In addition, the Governor's budget proposal (AB 100) provides Transportation Fund revenues to fund some GPR appropriations. Funding calculations for the motorboat, snowmobile and all-terrain vehicle formulas within the Conservation Fund would be impacted by the proposed change in AB 303.

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 help maintain the purchasing power of the Transportation Fund; protecting the fund from the eroding effects of inflation.

Eliminating the annual adjustment to the motor fuel tax rate would result in the permanent loss of the forecast per gallon increase of \$0.006 in 2006 and \$0.005 in 2007. The Transportation Fund would experience a decline in projected revenues of \$5.0 million in FY 2006, \$24.4 million in FY 2007. The total lost revenue impact in the 2005-07 biennium would be \$29.4 million. Annual lost revenue to the Transportation Fund would grow because the elimination of indexing has a cumulative impact each year.

Eliminating indexing could exacerbate slowing revenue growth due to higher motor fuel prices in Wisconsin. Estimated revenues from projected rate increases were incorporated into the Governor's 2005-07 budget submittal (AB 100). Eliminating motor fuel indexing will leave an imbalance in budgeted revenues and expenditures for FY 2006 and FY 2007. The \$29.4 million imbalance between revenues and expenditures would need to be addressed by the legislature as part of their work on the 2005-07 biennial budget.

Eliminating indexing could result in decreased funding available for 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, along with the Divisions of Motor Vehicles and State Patrol

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-0432/1		Introduction Number AB-303	
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, ets.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		-24,400,000
	TOTAL State Revenues	\$	\$-24,400,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$-24,400,000	\$
Agency/Prepared By		Authorized Signature	Date
DOT/ Joshua Peacock (608) 264-8715		Carol Buckmaster (608) 267-6979	4/20/2005