

### Fiscal Estimate - 2005 Session

Original       Updated       Corrected       Supplemental

**LRB Number**    **05-2865/1**      **Introduction Number**    **AB-407**

**Subject**  
Temporarily reduce the 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  
 Permissive  Mandatory       Permissive  Mandatory

2.  Decrease Costs      4.  Decrease Revenue  
 Permissive  Mandatory       Permissive  Mandatory

5. Types of Local Government Units Affected  
 Towns       Village       Cities  
 Counties       Others  
 School Districts       WTCS Districts

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

GPR     FED     PRO     PRS     SEG     SEGS

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**Fiscal Estimate Narratives**  
**DOT 5/16/2005**

LRB Number	<b>05-2865/1</b>	Introduction Number	<b>AB-407</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
Temporarily reduce the motor vehicle fuel tax rate					

**Assumptions Used in Arriving at Fiscal Estimate**

2005 SB 407 reduces the state motor fuel tax rate by five cents per gallon beginning on June 1, 2005 and ending on September 6, 2005. For the purposes of this analysis, it is assumed that SB 407 refers to gasoline, gasohol and diesel fuels. Currently, the state motor fuel excise tax is 32.9 cents per gallon. Of that amount 3 cents per gallon is dedicated to the Petroleum Environmental Clean-up Fund Award Program and the remaining 29.9 cents per gallon is dedicated to the Transportation Fund. Under the bill, the state motor fuel excise tax rate would be reduced to 27.9 cents per gallon. All of the reduction would come from the portion of the rate that is dedicated to the Transportation Fund.

Because the Transportation Fund is a unified fund, all SEG funded appropriations within the fund would be impacted by the proposed change to the motor fuel tax rate. In addition, the Governor's budget proposal (AB 100) provides Transportation Fund revenues to fund 29 GPR appropriations. Funding for the motorboat, snowmobile and all-terrain vehicle formulas within the Conservation Fund would not be impacted by the temporary reduction in the motor fuel excise tax rate. Those formulas are based on a motor fuel tax rate at a point in time.

2005 AB 407 would reduce motor fuel tax collections by an estimated \$43.9 million. This estimate is based on actual motor fuel consumption for the months of June, July and August 2004. This estimate is an underestimate of lost revenues because the tax rate reduction would be in effect for 14 weeks, but the estimate is based on 3 months (13 weeks). Of the 43.9 million in lost revenue, \$14.5 million would occur in FY 2005 and \$29.4 million would occur in FY 2006. Of the 43.9 million in lost revenue, \$33.9 million would come from the consumption of gasoline and gasohol and \$10 million would come diesel consumption.

**Long-Range Fiscal Implications**

Any lost revenues in FY 2005 would have to be addressed with either lower expenditures between now and the end of FY 2005 (June 30, 2005) or increased revenues from other sources. The Governor's budget bill (Act 100) is balanced (that is estimated revenues exceed proposed expenditures). If SB 407 were to be enacted, the legislature, as part of its deliberations on the Governor's bill (or as separate legislation) would have to either reduce expenditures or increase revenues from other sources.

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
  Updated
  Corrected
  Supplemental

<b>LRB Number</b> 05-2865/1	<b>Introduction Number</b> AB-407	
<b>Subject</b>		
Temporarily reduce the motor vehicle fuel tax rate		
<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 (FTE Position Changes)	\$	
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
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		-43,900,000
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-43,900,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-43,900,000	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
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