

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-3587/1	Introduction Number AB-711
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Subject
 Eliminating the 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	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Towns Village Cities
 Counties Others
 School Districts WTCS Districts

Fund Sources Affected	Affected Ch. 20 Appropriations
<input 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 Julie Johnson (608) 267-3703	Date 10/12/2005
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Fiscal Estimate Narratives

DOT 10/13/2005

LRB Number	05-3587/1	Introduction Number	AB-711	Estimate Type	Original
Subject					
Eliminating the 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 771 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 (PECFA) program and \$0.299 is dedicated to the Transportation Fund. The 2005-07 biennial budget (Act 25) will decrease the PECFA portion from 3 to 2 cents per gallon on May 1, 2006. AB 771 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 \$0.307 on April 1, 2006, and to \$0.313 on April 1, 2007. Based on these forecast changes in the motor fuel tax rate, total motor fuel tax collections are forecast to be \$994.2 million in FY 2006, \$1,033.2 million in FY 2007, and \$1,082.7 million in FY 2008. These projected revenues are incorporated into the Act 25, the current biennial budget.

Under AB 711, the motor fuel tax rate would not be adjusted for inflation on April 1 of each year starting after the April 1, 2006 adjustment. The motor fuel tax rate would remain at an estimated \$0.307 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. Funding calculations for the motorboat, snowmobile and all-terrain vehicle formulas within the Conservation Fund would be impacted by the proposed change in AB 711.

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 \$0.006 per gallon increase in the motor fuel tax rate forecast for April 1, 2007. In addition, all forecast increase beyond April 1, 2007 would be lost due to the elimination of indexing. The Transportation Fund would experience a decline in projected revenues of \$5.1 million in FY 2007, \$26.0 million in FY 2008 and \$49.1 million in FY 2009.

Eliminating the rate increase forecast for April 1, 2007 will provide a shortfall in revenues to the Transportation Fund in the current biennium. Estimated revenues from this projected rate increase was incorporated into the 2005-07 biennial budget. Eliminating motor fuel indexing will leave an imbalance in budgeted revenues and expenditures for FY 2007. The \$5.1 million imbalance between revenues and expenditures would need to be addressed by the legislature.

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

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Subject			
Eliminating the 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			-5,100,000
TOTAL State Revenues		\$	\$-5,100,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-5,100,000	\$
Agency/Prepared By		Authorized Signature	Date
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