

Fiscal Estimate Narratives

DOR 5/16/2005

LRB Number	05-0340/2	Introduction Number	SB-185	Estimate Type	Original
Subject					
Motor vehicle fuel tax indexing tied to increase in tax revenues					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Department of Revenue must recompute and publish, before April 1 of each year, the new vehicle fuel tax rate by multiplying the current tax rate by the percentage change in the annual average U.S. consumer price index over the previous two years.

Under this bill, the tax rate would only be adjusted in years when the percentage change in state tax revenue collections over the previous two years is less than the percentage change in CPI for those same years.

A review of state revenue collection figures indicates that only four times in the last 20 years would the conditions have allowed for a growth in the fuel tax rate. This limited experience shows that state tax revenues can grow slower than inflation for a variety of reasons, including legislated tax reductions or economic slowdowns.

Beginning on April 1, 2005, the motor vehicle fuel tax rate was raised from 29.1 cents to 29.9 cents per gallon. The fuel tax rate adjusted for inflation was estimated by the department to increase to 30.5 cents on April 1, 2006. In addition, the department developed a forecast of future fuel consumption in the state.

Assuming that tax revenues would surpass inflation in the next two fiscal years, no adjustment would be made. Eliminating the motor vehicle fuel tax rate adjustment that occurred on April 1, 2005, would result in refunds reducing tax revenues by \$6.5 million for the remaining 3 months of FY05. In addition, tax revenues would be reduced by \$28.1 million in FY06 and by \$41.6 million in FY07. These estimates do not include the impact of a potential increase in fuel consumption due to lower tax rate.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
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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			-28,100,000
TOTAL State Revenues		\$	\$-28,100,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-28,100,000 (FY06)	\$
Agency/Prepared By		Authorized Signature	Date
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