

### Fiscal Estimate - 2005 Session

Original     
  Updated     
  Corrected     
  Supplemental

|  |  |             |
|--|--|-------------|
| <b>LRB Number</b> <b>05-3656/1</b>   | <b>Introduction Number</b> <b>AB-797</b> |             |
| <b>Description</b><br>A temporary suspension of the motor vehicle fuel tax and eliminating the automatic annual increase in the motor vehicle fuel tax rate  |  |             |
| <b>Fiscal Effect</b>   |  |             |
| <b>State:</b>  |  |             |
| <input type="checkbox"/> No State Fiscal Effect<br><input type="checkbox"/> Indeterminate<br><input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues<br><input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues<br><input type="checkbox"/> Create New Appropriations   |  |             |
| <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget<br><input type="checkbox"/> Yes <input type="checkbox"/> No<br><input type="checkbox"/> Decrease Costs  |  |             |
| <b>Local:</b>  |  |             |
| <input type="checkbox"/> No Local Government Costs<br><input type="checkbox"/> Indeterminate   |  |             |
| 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br>2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory |  |             |
| 5. Types of Local Government Units Affected<br><input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities<br><input type="checkbox"/> Counties <input type="checkbox"/> Others<br><input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts   |  |             |
| <b>Fund Sources Affected</b>   |  |             |
| <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  |  |             |
| <b>Affected Ch. 20 Appropriations</b>  |  |             |
| <b>Agency/Prepared By</b>  | <b>Authorized Signature</b>              | <b>Date</b> |
| DOT/ Joshua Peacock (608) 264-8715   | Julie Johnson (608) 267-3703             | 11/21/2005  |

## Fiscal Estimate Narratives

DOT 11/21/2005

|   |                  |                     |               |               |                  |
|---|------------------|---------------------|---------------|---------------|------------------|
| LRB Number  | <b>05-3656/1</b> | Introduction Number | <b>AB-797</b> | Estimate Type | <b>Corrected</b> |
| <b>Description</b><br>A temporary suspension of the motor vehicle fuel tax and eliminating the automatic annual increase in the motor vehicle fuel tax rate |                  |                     |               |               |                  |

### Assumptions Used in Arriving at Fiscal Estimate

Under AB 797, the motor fuel excise tax is suspended for 30 days. The bill also provides that the Governor, by executive order, may extend the suspension of the motor fuel excise tax for an additional 30 days. Beginning with the day after the last day of the suspension, the sale of motor fuel is subject to taxation at the rate of five cents per gallon (cpg) for the first three days that the tax is reinstated. The rate of the tax then increases by 5 cpg on the fourth day after the tax is reinstated and on every fourth day thereafter until the rate of the tax is equal to the rate that was in effect on the effective date of the bill. Under current law, the rate of the motor vehicle fuel tax is annually adjusted by multiplying the tax rate by the percentage change in the annual average U.S. Consumer Price Index. Under the bill, the rate of the motor vehicle fuel tax is not annually adjusted.

It is assumed that if passed, the suspension provisions of AB 797 would be in effect from December 2005 through February 2006. It is assumed that the provisions of AB 797 apply to the Transportation Fund portion of the motor fuel tax (does not impact the 3 cpg imposed for the Petroleum Environmental Clean-up Fund Program). In addition, it is assumed that annual rate adjustments starting on April 1, 2006 would no longer take place. The first 30 day suspension of the motor fuel tax would result in lost revenues of \$82.3 million. In addition, if the Governor suspended the motor fuel tax rate for an additional 30 days, this second 30 day suspension would result in lost revenues of \$74.6 million. Finally, because the motor fuel tax rate is reinstated over the course of an additional 28 days, lost revenues due to the staggered re-introduction of the motor fuel tax rate would be an additional \$18.6 million. Total lost revenues from the suspension and staggered re-introduction of the motor fuel tax rate would be \$175.5 million. Additional lost revenues from the elimination of indexing would be \$6.7 million during FY 2006 and \$31.9 million in FY 2007, for a total of \$38.6 million due to eliminating indexing.

### Long-Range Fiscal Implications

As implemented in Act 25 (the 2005-07 biennial budget), program expenditures from the Transportation Fund spend estimated revenues (including motor fuel tax collections) down to a FY 2006 ending balance of \$719,100 or an ending balance of \$481,700 in FY 2007. If enacted as drafted, AB 797 would create a funding gap in the Transportation Fund of approximately \$182.2 million in FY 2006, and \$31.9 million in FY 2007. The Governor and the Legislature would have to come to an agreement on what program expenditure levels funded within the Transportation Fund would need to be reduced or eliminated in order to close the \$214.1 million funding gap.

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
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  Supplemental

|   |  |  |                       |
|---|--|--|-----------------------|
| <b>LRB Number</b> 05-3656/1   |  | <b>Introduction Number</b> AB-797              |                       |
| <b>Description</b><br>A temporary suspension of the motor vehicle fuel tax and eliminating the automatic annual increase in 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   |  |  | -182,200,000          |
| <b>TOTAL State Revenues</b>   |  | <b>\$</b>                                      | <b>\$-182,200,000</b> |
| <b>NET ANNUALIZED FISCAL IMPACT</b>   |  |  |                       |
|   |  | State  | Local                 |
| NET CHANGE IN COSTS   |  | \$   | \$                    |
| NET CHANGE IN REVENUE   |  | \$-182,200,000                                 | \$                    |
| <b>Agency/Prepared By</b>   |  | <b>Authorized Signature</b>                    |                       |
| DOT/ Joshua Peacock (608) 264-8715  |  | Julie Johnson (608) 267-3703                   |                       |
|   |  | <b>Date</b>                                    |                       |
|   |  | 11/21/2005                                     |                       |