



**JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION**  
**Fiscal Impact Review**  
**2002 Session**

**Bill Number:** SB178 as Introduced  
**Review Requested By:** Senator Chichester

**JLARC Staff Fiscal Estimates**

<b>Fund Source</b>	<b>FY 2003</b>	<b>FY 2004</b>
<u>Dollars</u>		
General Fund	\$0	\$0
Non-General Fund	\$89.4 million	\$222.5 million

SB 178 would increase the motor vehicle fuels tax by five cents per gallon on gasoline, from the current rate of 17.5 cents to 22.5 cents per gallon, as of January 1, 2003. The tax on diesel fuel would increase from 16 cents to 18 cents per gallon, as of that date. The tax on certain other motor vehicle fuels would also increase.

JLARC staff concurs with the revenue estimates generated by DMV, shown above. Using a separate data source, the JLARC staff revenue estimate was within one percent of the DMV estimate.

An explanation of the JLARC staff review is included on the following page.

Authorized for Release:

**Bill Summary:** SB 178 would increase the state tax on the major types of motor vehicle fuels, effective January 1, 2003, as shown in the table. (The bill increases the tax on aviation and jet fuel *only if* such fuel is used in highway vehicles, not if such fuel is used in airplanes.)

Type of Fuel	Current tax per gallon	Proposed tax per gallon, effective January 1, 2003
Gasoline & gasohol	17.5 cents	22.5 cents
Diesel fuel	16 cents	18 cents
Liquid alternative fuels used in highway vehicles	16 cents	22.5 cents
Aviation & jet fuel used in highway vehicles	17.5 cents	22.5 cents

### **Discussion of Fiscal Implications**

JLARC staff concurs with the DMV estimate of the revenue impact of SB 178. Using different data sources to estimate the impact of the bill, both DMV and JLARC staff arrived at very similar revenue estimates.

DMV's estimate of \$89.4 million in FY 2003 and \$222.5 million in FY 2004 are within one percent of JLARC staff's estimates of \$88.9 million in FY 2003 and \$220.3 million in FY 2004. DMV staff projected net taxable gallons of motor vehicle fuel as the basis for their estimate. JLARC staff based their estimate on motor fuel sales as reported to the US Department of Energy, multiplied by the growth factor used in the official forecast of Transportation Trust Fund revenues.

The fiscal impact for FY 2003 is adjusted for the bill's effective date of January 1, 2003. Language in the bill provides that amounts equal to those generated by the additional taxes would be deposited in the Transportation Trust Fund.

**Budget Amendment Necessary:** Yes. The additional revenue should be shown on page 1 of the budget bill, and in the budgets of the several agencies receiving funds from the Transportation Trust Fund, including the Virginia Department of Transportation, the Department of Rail and Public Transportation, the Virginia Port Authority, and the Department of Aviation.

DMV also notes, and JLARC staff concurs, that a companion amendment should be adopted to the road tax to assure conformity.

**Agencies Affected:** The Department of Motor Vehicles, the Virginia Department of Transportation, the Department of Rail and Public Transportation, the Virginia Port Authority, the Department of Aviation, and any other agencies receiving funds from the Transportation Trust Fund.

**Date Released, Prepared By:** 01/28/2002; Walt Smiley.