

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: SB833

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Petersen

3. Committee: Finance

4. Title: Fuels taxes; indexing of tax rates.

5. Summary: This bill increases or decreases each year the rates of Virginia's fuels taxes using a fuel efficiency index. The bill would define the fuel efficiency index as the quotient that is obtained when using as the numerator the total annual vehicle miles traveled in the Commonwealth for the relevant year and using as the denominator the total gallons of motor fuel consumed for highway use in the Commonwealth for the relevant year. The numerator and denominator would be the corresponding amounts as published by the Federal Highway Administration of the United States Department of Transportation.

6. Budget Amendment Necessary: Yes, Item 453.

7. Fiscal Impact Estimates: Preliminary.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011	-	-	-
2012	\$28,070	-	Transportation Funds

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2011	-	-
2012	\$4,400,000	Transportation Funds
2013	\$25,900,000	Transportation Funds
2014	\$19,400,000	Transportation Funds
2015	\$16,800,000	Transportation Funds
2016	\$11,000,000	Transportation Funds

8. Fiscal Implications: Unlike the current fuels tax, the tax proposed in this legislation would be sensitive to changes in vehicles' fuel efficiency: if average fuel efficiency increased (so that fewer gallons of fuel were required to travel the same number of miles), the tax paid per gallon of fuel would increase proportionately. For example, a 20 percent increase in average fuel efficiency, from 25 miles per gallon to 30 miles per gallon, would raise the rate of the fuels tax by 20 percent as well—from the current \$0.175 per gallon to \$0.21 per gallon. A decline in average fuel efficiency would result in a corresponding decline in the per-gallon

rate of the tax. However, the tax paid per vehicle mile traveled (VMT) would remain constant. Fuels tax revenue would thus be tied to motorists' use of transportation infrastructure, rather than to their consumption of fuel.

The Department of Motor Vehicles will incur a one-time expenditure of \$28,070 (including expenses incurred by the agency's vendor) to implement the provisions of this legislation. The agency can absorb these costs within existing resources.

The estimated revenue impact has been calculated by the Department of Taxation, and is based on projected growth in Virginia's population, projected changes in VMT, and fuel consumption estimates contained in the December 2010 Commonwealth Transportation Fund forecast. The revenue impact in FY 2012 represents a two month effect of the proposed tax changes. For FY 2013 - 2016, revenue would include 10 months of collections based on the rate set in the prior fiscal year and 2 months of collections based on the rate set in the current fiscal year.

The Department of Taxation has noted that its estimates have been based on available data, much of which is from 2007. Accordingly, data are not available to calculate the effects of the recent deep recession, increased sales of more fuel-efficient vehicles, or the new federal Corporate Average Fuel Economy (CAFE) standards.

9. Specific Agency or Political Subdivisions Affected: Department of Transportation, Department of Motor Vehicles.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/19/11

Document: G:\10-12\2011\FIS\SB833.Doc Janet Vogelgesang

Cc: Secretary of Transportation