

## Department of Planning and Budget 2009 Fiscal Impact Statement

**1. Bill Number:** HB2194

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

**2. Patron:**        Watts

**3. Committee:** Finance

**4. Title:**        **Motor fuels tax; rate increase; allocation of construction funds for primary highway system.**

**5. Summary:** This bill increases the motor fuels tax by \$0.10 per gallon, minus \$0.01 for each \$0.20 that the average price of gasoline exceeds \$3.00. The tax will be indexed every two years beginning July 1, 2010, by an amount equal to the percentage change in the U.S. Department of Labor's Producer Price Index for Highway and Street Construction. The revenue generated is used for transportation purposes as required by existing law, and allocates primary system highway construction funds among the nine highway construction districts on the basis of the ratio of vehicle miles traveled on primary highways divided by the lane miles of primary highways in each highway construction district, weighted 90 percent, and a need factor, weighted 10 percent.

**6. Fiscal impact estimates:** Preliminary.

**6a. Expenditure impact:**

<i>Fiscal Year</i>	<i>Dollars</i>		<i>Positions</i>	<i>Fund</i>
2009		-	-	-
2010	\$19,800		-	NGF
2011		-	-	-

**6b. Revenue impact:** Indeterminate. See Item #8.

**7. Budget amendment necessary:** No.

**8. Fiscal implications:** The revenue generated by the tax proposed in this bill would likely be higher than the revenue generated by the current tax. However, it is impossible to say for certain whether the revenue would be higher, and if so then by how much.

The bill would make three changes to the current tax on motor fuels:

- It would raise the base rate of the tax from 17.5 cents per gallon to 27.5 cents per gallon. Transitioning to this new rate alone, with fuel assumed at less than \$3.00 per gallon, would generate \$413.4 million in FY 2010.

- It would provide for monthly adjustments to this 27.5 cent base rate, beginning August 1, 2009. The rate would fall by \$0.01 for each \$0.20 above \$3.00 in the average price of fuel.
- Beginning July 1, 2010, it would index the tax to changes in the U.S. Department of Labor's Producer Price Index for Highway and Street Construction (the PPI). The rate would be adjusted every two years (24 months) to reflect the change in the PPI over the period from October 1 to September 30 of the preceding year (12 months).

While the first of these changes would raise revenue, the second change could lower it: if fuel prices were to rise to \$5 per gallon, the tax rate would drop back to 17.5 cents per gallon; if prices climbed above \$5 per gallon, then the tax rate would fall below its current level. The third change that this bill would make to the motor fuels tax could either raise or lower the rate, and thus either increase or decrease revenue.

It is anticipated that the changes proposed in this bill would cost the agency \$19,800 to implement.

- 9. Specific agency or political subdivisions affected:** Department of Motor Vehicles (DMV), Department of Transportation, Department of Taxation.
- 10. Technical amendment necessary:** The Department of Taxation has suggested striking the word "Tax" at the end of line 54 of the bill. This would allow the duty to default to the DMV Commissioner, as "Commissioner" is defined in § 58.1-2201 as the Commissioner of the Department of Motor Vehicles.

**11. Other comments:** None.

**Date:** 1/23/09/jlv

**Document:** G:\08-10\09 Budget Development\HB2194.Doc Janet Vogelgesang

cc: Secretary of Transportation