Revised 2/2/09

Department of Planning and Budget
2009 Fiscal Impact Statement

1. **Bill Number:** SB1041

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

2. **Patron:** Hanger

3. **Committee:** Finance

4. **Title:** **Fuels taxes; annually adjusted.**

5. **Summary:** This bill adjusts fuels taxes each year on April 1 by the percentage increase in the Corporate Average Fuel Economy (sales volume weighted), Total Fleet (the CAFE) for the immediately preceding calendar year over the CAFE for calendar year 2008. The first adjustment would occur on April 1, 2010.

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

   6a. Expenditure impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2009	$19,800	-	NGF
2010	-	-	-
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 be at least as high as the revenue generated by the current tax. Whether the revenue would in fact be higher, and if so by how much, would depend upon future changes in the fuel efficiency of motor vehicles. In December 2007 President Bush signed legislation that will require new auto fleets to average 35 miles per gallon by 2020. If this target is reached, then motor vehicles ten years from now will be approximately 30 percent more fuel efficient than they are today. A 30 percent increase in fuel efficiency would mean that motorists would need to buy 23 percent less fuel to drive the same number of miles that they do today, and that the revenue generated by the current tax on motor fuels would fall by 23 percent as well. By indexing the current tax of 17.5 cents per gallon to increases in vehicle fuel efficiency, the tax proposed in this bill would eliminate that 23 percent decline in revenue. However, since it is unknown exactly when or whether the target of 35 miles per gallon will be reached (or exceeded), it is impossible to predict the annual or cumulative impact that this bill will have on revenue over the coming decade.

   Modifications to the computer programs at the Department of Motor Vehicles in order to implement the new process are estimated to cost $19,800.

9. **Specific agency or political subdivisions affected:** Department of Motor Vehicles, Department of Transportation.

10. **Technical amendment necessary:** No.

11. **Other comments:** None.

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Document: G:\08-10\09 FIS\SB1041.Doc Janet Vogelgesang

cc: Secretary of Transportation