

Department of Planning and Budget 2022 Fiscal Impact Statement, Special Session I

1. Bill Number: HB6001

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

2. Patron: Durant

3. Committee: Appropriations

4. Title: Motor fuel tax; limits rate of taxation.

5. Summary: Limits to two percent the amount that the statewide tax on motor fuels can be raised annually pursuant to statutorily required indexing. The bill also eliminates the statewide motor fuel tax from May 1, 2022, to July 31, 2022, and reduces the statewide motor fuel tax by 50 percent from August 1, 2022, to August 31, 2022, and by 25 percent from September 1, 2022, to September 30, 2022. The bill contains an emergency clause.

6. Budget Amendment Necessary: Budget amendments may be necessary to reflect the loss of revenues to all transportation agencies.

7. Fiscal Impact Estimates: Preliminary. See item 8 below.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2022	-\$43,500,000	Commonwealth Transportation Fund
2023	-\$393,500,000	Commonwealth Transportation Fund
2024	-\$33,579,730	Commonwealth Transportation Fund
2025	-\$35,416,986	Commonwealth Transportation Fund
2026	-\$37,558,737	Commonwealth Transportation Fund
2027	-\$39,571,726	Commonwealth Transportation Fund
2028	-\$44,808,957	Commonwealth Transportation Fund

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2022	-\$43,500,000	Commonwealth Transportation Fund
2023	-\$393,500,000	Commonwealth Transportation Fund
2024	-\$33,579,730	Commonwealth Transportation Fund
2025	-\$35,416,986	Commonwealth Transportation Fund
2026	-\$37,558,737	Commonwealth Transportation Fund
2027	-\$39,571,726	Commonwealth Transportation Fund
2028	-\$44,808,957	Commonwealth Transportation Fund

8. Fiscal Implications: This bill would result in a reduction of anticipated transportation revenue by fully suspending the tax on both gasoline and diesel fuel from May 1, 2022 to July 31, 2022 and partially suspending the taxes from August 1, 2022 to September 30, 2022.

Additionally, the bill limits future year inflationary increases in the tax rate for both gasoline and diesel fuel to two percent. Based on estimates from the Department of Taxation, it is estimated that this legislation would result in a decrease in anticipated fuel tax revenue of \$43.5 million in FY 2022, \$393.5 million in FY 2023 and \$33.6 million in FY 2024. The primary impact of this legislation results from the reduction in the gas and diesel tax rates in FY 2022 and FY 2023. However, a smaller impact persists in future fiscal years from the assumed inflationary increases being limited to two percent per year. The table below summarizes the currently assumed rates, which factor in estimates from the Department of Taxation of the United States Average Consumer Price Index (CPI), and estimated rates if increases are limited.

	Gas Tax Rate		Diesel Tax Rate	
	Current (\$/gallon)	Proposed (\$/gallon)	Current (\$/gallon)	Proposed (\$/gallon)
FY2023	0.273	0.267	0.281	0.275
FY2024	0.277	0.271	0.286	0.279
FY2025	0.283	0.276	0.292	0.285
FY2026	0.289	0.282	0.298	0.291
FY2027	0.296	0.288	0.305	0.297
FY2028	0.303	0.294	0.312	0.303

Revenues collected from gasoline and diesel fuel taxes are deposited to the Commonwealth Transportation Fund (CTF) which is distributed to the Highway Maintenance Operating Fund (HMOF) and the Transportation Trust Fund (TTF) by Code. The table below shows the estimated impact of this bill to the HMOF and TTF. The TTF is then further distributed by Code to subfunds and programs across transportation entities in the Commonwealth, including the Virginia Department of Transportation, Department of Rail and Public Transportation, Virginia Port Authority, Virginia Department of Aviation, Virginia Passenger Rail Authority, Virginia Commercial Space Flight Authority, and the Department of Motor Vehicles, based on distribution formulas set out in the Code of Virginia. While this bill will reduce the motor fuels tax revenues, the reduction is offset by increases in other CTF revenue sources. The ability to service debt supported by the TTF will not be impacted. Previously planned and programmed transportation projects will not be negatively impacted and the construction program will benefit from anticipated federal funding from the Infrastructure Investment and Jobs Act (IIJA).

	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Highway Maintenance and Operating Fund	-\$22,185,000	-\$200,685,000	-\$17,125,663	-\$18,062,663	-\$19,154,956	-\$20,181,580	-\$22,852,568
Transportation Trust Fund	-\$21,314,999	-\$192,815,000	-\$16,454,067	-\$17,354,323	-\$18,403,781	-\$19,390,146	-\$21,956,389
Net Impact to CTF	-\$43,500,000	-\$393,500,000	-\$33,579,730	-\$35,416,986	-\$37,558,737	-\$39,571,726	-\$44,808,957

- 9. Specific Agency or Political Subdivisions Affected:** Department of Motor Vehicles, Virginia Department of Transportation, Department of Rail and Public Transportation, Virginia Port Authority, Virginia Department of Aviation, Virginia Passenger Rail Authority, Virginia Commercial Space Flight Authority.

10. Technical Amendment Necessary: No.

11. Other Comments: This bill is identical to SB6001.