

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. Bill Number: HB854

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

2. Patron: Ennis

3. Committee: Finance

4. Title: Rate of tax on gasoline and diesel fuel.

5. Summary: Lowers the rate of tax on gasoline and diesel fuel on July 1, 2024, from 26.2 cents per gallon to 21.2 cents per gallon on gasoline and from 27 cents per gallon to 20.2 cents per gallon on diesel fuel, which are the rates that were in effect before July 1, 2021. The bill provides that the rate of tax on gasoline and diesel fuel will return to 26.2 and 27 cents per gallon, respectively, on July 1, 2025, and will be indexed based on the change in the United States Average Consumer Price Index occurring between 2021 and 2024; thereafter, the rate will be indexed annually.

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> |
|--------------------|----------------|----------------------------------|
| 2024 | | |
| 2025 | -\$405,499,365 | Commonwealth Transportation Fund |
| 2026 | -\$87,744,109 | Commonwealth Transportation Fund |
| 2027 | -\$11,286,004 | Commonwealth Transportation Fund |
| 2028 | -\$11,602,527 | Commonwealth Transportation Fund |
| 2029 | -\$11,919,212 | Commonwealth Transportation Fund |
| 2030 | -\$12,226,740 | Commonwealth Transportation Fund |

7b. Revenue Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|--------------------|----------------------|---|
| 2024 | | |
| 2025 | -\$405,499,365 | Commonwealth Transportation Fund |
| 2026 | -\$87,744,109 | Commonwealth Transportation Fund |
| 2027 | -\$11,286,004 | Commonwealth Transportation Fund |
| 2028 | -\$11,602,527 | Commonwealth Transportation Fund |
| 2029 | -\$11,919,212 | Commonwealth Transportation Fund |
| <u>2030</u> | <u>-\$12,226,740</u> | <u>Commonwealth Transportation Fund</u> |

- 8. Fiscal Implications:** This bill would result in a loss of transportation revenue by lowering the tax rate on both gasoline and diesel fuel. Based on estimates from the Department of Taxation, it is anticipated that this legislation would result in a decrease in fuel tax revenue of \$405.5 million in FY2025 and \$87.7 million in FY2026. The primary impact of this legislation would be the reduction in the gas and diesel tax rates in FY2025. However, a smaller impact remains in FY2026 and beyond resulting from the delay in the timing of tax collections and changes to the basis for indexing annual increases. The table below summarizes the currently assumed rates for gasoline and diesel fuel taxes as well as tax rates proposed by this legislation for FY2025 and projections for FY2026 and beyond, which factor in estimates from the Department of Taxation of the United States Average Consumer Price Index (CPI).

| | Gas Tax Rate | | Diesel Tax Rate | |
|---------------|---------------------|----------------------|---------------------|----------------------|
| | Current (\$/gallon) | Proposed (\$/gallon) | Current (\$/gallon) | Proposed (\$/gallon) |
| FY2025 | 0.307 | 0.212 | 0.317 | 0.202 |
| FY2026 | 0.314 | 0.312 | 0.324 | 0.321 |
| FY2027 | 0.320 | 0.318 | 0.331 | 0.328 |
| FY2028 | 0.327 | 0.325 | 0.338 | 0.335 |
| FY2029 | 0.335 | 0.332 | 0.345 | 0.343 |
| FY2030 | 0.342 | 0.339 | 0.353 | 0.350 |

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). The table below shows the estimated impact of this bill to the HMOF and TTF. The TTF is then further distributed to subfunds and programs across transportation entities in the Commonwealth, including the Virginia Department of Transportation (VDOT), 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. Any loss of revenue to transportation funding may impact previously planned and programmed transportation projects and may impact funds used to support debt service on bonds previously issued.

| | Highway Maintenance Operating Fund Impact | Transportation Trust Fund Impact | Total CTF Impact |
|---------------|---|----------------------------------|-----------------------|
| FY2025 | -\$206,804,676 | -\$198,694,689 | -\$405,499,365 |
| FY2026 | -\$44,749,496 | -\$42,994,613 | -\$87,744,109 |
| FY2027 | -\$5,755,862 | -\$5,530,142 | -\$11,286,004 |
| FY2028 | -\$5,917,289 | -\$5,685,238 | -\$11,602,527 |
| FY2029 | -\$6,078,798 | -\$5,840,414 | -\$11,919,212 |
| FY2030 | -\$6,235,637 | -\$5,991,103 | -\$12,226,740 |

The impact to the HMOF listed above is for illustrative purposes based on statutory distributions of the CTF. However, current policy under Item 434 A.1. of Chapter 1, 2023 Acts of Assembly, Special Session I provides that VDOT is required to prioritize the maintenance program activities. As a result, assuming no reductions to planned maintenance program activities as a result of this legislation, the reductions to the HMOF allocations would be offset by reductions to VDOT construction programs in addition to the reductions to construction programs resulting from the decreases to the TTF distribution. The 2024 Budget Bill (HB30/BS30) includes similar language.

- 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: None.