

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 675** HLS 13RS 1348
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Motor Fuel Tax adjusted by CPI		

TAX/GASOLINE TAX OR +\$5,800,000 SD RV See Note Page 1 of 1
 Requires the tax on gasoline, diesel fuels, and special fuels to be adjusted annually in accordance with the Consumer Price Index

Current law provides for a tax on gasoline, diesel and special fuels of 20 cents per gallon sold, used or consumed in LA. Of this amount, proceeds from 4 cents are dedicated to TIMED projects and the remaining proceeds from 16 cents are deposited into the Transportation Trust Fund for use in DOTD projects.

Proposed law annually adjusts the amount of the motor fuel tax by the change in the CPI, but does not allow the amount to fall below those specified in current law (typos in the bill are assumed to be corrected). The bill does not state at which point in the year the adjustment will be made. The bill becomes effective January 1, 2014.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$5,800,000	\$17,500,000	\$29,500,000	\$41,700,000	\$54,000,000	\$148,500,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$5,800,000	\$17,500,000	\$29,500,000	\$41,700,000	\$54,000,000	\$148,500,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. It is not clear when the adjustment would be made or the entity that would be required to calculate it. This estimate assumes a January 1, 2014 start. Since there are variations of the CPI, it may facilitate consistency to limit the CPI to a specific series and the calculation of the increase to a specific method.

REVENUE EXPLANATION

This bill will increase the proceeds of the motor fuel tax because it is adjusted annually by the increase in the CPI but never below current rates. Per the Constitution, the increased collections associated with the current 4 cent tax will be pledged to TIMED projects per the Constitution, and the increased collections associated with the current 16 cent tax will be deposited to the Transportation Trust Fund for transportation uses.

Actual collections indicate motor fuel usage of about 3 billion gallons per year in taxable gasoline, diesel and special fuels, though this amount may be slightly declining due to higher operational costs and federal mandates of more fuel efficient vehicles. Assuming a constant consumption of 2.9 billion gallons per year and increasing the tax rate by 2% per year (proxy for an increase in CPI) beginning January 1, 2014 and increasing it each January 1, thereafter, collections from motor fuels would increase by \$5.8 M in FY 14 with a half year impact, by \$17.5 M in FY 15, \$30.5 M in FY 16, \$41.7 M in FY 17 and \$54.1 M in FY 18. The corresponding rates increase from 20 cents per gallon to 20.4 in FY 14 (half year), 20.8 in FY 15, 21.2 in FY 16, 21.6 in FY 17 and 22.1 in FY 18. If consumption patterns change or the CPI grows faster or slower than 2%, collections will be different than those calculated under these assumptions.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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