

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 582** HLS 21RS 857

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 30, 2021	3:34 PM	Author: MCFARLAND
Dept./Agy.: LDR/DOTD/Bond Commission		Analyst: Benjamin Vincent
Subject:		

TAX/GASOLINE TAX OR SEE FISC NOTE Page 1 of 1

Repeals the existing tax on gasoline, diesel, and special fuels and levies a new tax on these motor fuels and an annual tax on electric and hybrid vehicles

Proposed law reduces the existing gasoline, diesel, and special fuels taxes of \$0.16 per gallon or gallon-equivalent that is dedicated to the Transportation Trust Fund (TTF), and enacts new identical taxes that are dedicated to the Construction Subfund (CSF) of the TTF.

Proposed law additionally implements an annual tax of \$200 per electric vehicle and \$100 per hybrid vehicle, to be collected every two years upon registration or renewal, and dedicates the avails to the CSF. Proposed law provides restrictions on the use of funds within the CSF.

Proposed law requires the Legislative Auditor to audit the operations and efficiency of the Department of Transportation & Development (DOTD), and its use of funds within the CSF.

Effective July 1, 2021.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW					
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>	<u>\$0</u>
Annual Total						
REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,500,000
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>	<u>\$0</u>
Annual Total	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,500,000

EXPENDITURE EXPLANATION

Proposed law reduces dedicated TTF revenues by approximately \$502 mil annually. TTF is the means of finance for a significant portion of the DOTD operating budget. In FY21, the fuels taxes redirected by proposed law generated approximately \$465 mil in dedicated TTF revenues. DOTD reports that for FY21, \$414 mil of their \$656 mil operating budget was supported by TTF resources. This implies a necessary offsetting increase in general fund expenditures to fund DOTD operations that may be comparable in magnitude to the \$502 million TTF reduction.

REVENUE EXPLANATION

The net revenue impact of proposed law is limited to approximately \$500,000 in new revenues, due to the tax of \$200 on electric vehicles and \$100 on hybrid electric vehicles.

Additionally, proposed law effectively redirects approximately \$502 mil of fuels tax revenues from the TTF to the CSF, which may result in significant state general fund expenditure requirements. The Expenditure Explanation section above contains some detail on the potential expenditure impact due to this redirection of dedicated revenues.

Treasury and DOTD note that the full \$0.16 per gallon and gallon-equivalent fuels taxes in current law already secure existing Gasoline and Fuels Tax Bonds issued by the Commission, and that the reduction of these taxes in proposed law introduces significant legal, contractual, and bond agreement issues. Final maturity of outstanding bonds and debt service requirements occurs in FY2045.

Treasury reports: "The State's Bond Counsel has reviewed HB 582 and has advised that a repeal of the 16 cents currently levied is not permitted as long as any of the Gasoline and Fuels Tax Bonds are outstanding. The proposed repeal in the 16 cents gasoline and fuels tax would be considered an impairment of the contract between the State and the bondholders."

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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