

**Local Mandate Fiscal Impact Estimate  
Kentucky Legislative Research Commission  
2015 Regular Session**

**Part I: Measure Information**

**Bill Request #:** 927

**Bill #:** HB 167

**Bill Subject/Title:** AN ACT relating to motor fuels taxes.

**Sponsor:** Representative Lynn Bechler

Unit of Government:  City  County  Urban-County  
 Charter County  Consolidated Local  Unified Local  
Government

Office(s) Impacted: \_\_\_\_\_

Requirement:  Mandatory  Optional

Effect on Powers & Duties:  Modifies Existing  Adds New  Eliminates Existing

**Part II: Purpose and Mechanics**

For fiscal years beginning on or before July 1, 2015, this proposal limits the average wholesale price (AWP) adjustment for each fiscal year to no more than ten percent over the AWP at the close of the previous fiscal year.

For fiscal years starting after July 1, 2015, this proposal sets the AWP of motor fuels to the AWP in effect on July 1, 2015.

**Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost**

**The fiscal impact of HB 167 on local government could be significant. The Road Fund money available to local governments for streets and roads may be impacted significantly.**

This proposal ensures the AWP used for the motor fuels tax calculation effective July 1, 2015 cannot increase by more than 10% over the AWP used for the July 1, 2014 calculation. Additionally, it prohibits the AWP used for the July 1, 2015 tax calculation from future quarterly adjustments without action of the General Assembly.

The motor fuels tax is comprised of two components:

-**a fixed portion** comprised of a users fee of 5 cents per gallon for gasoline and 2 cents per gallon for diesel and other “special fuels”; and

-**a variable excise portion** calculated at 9% of the “average wholesale price”.

A decrease of 11 cents in the AWP equates to a 1 cent decrease in the motor fuels tax. A decrease of 1 cent in the motor fuels tax translates to a \$30 million annualized loss to the Road Fund. **48% of the Road Fund is returned to cities and counties in the form of revenue sharing for local streets and roads.**

LRC economist expect the current market trends to continue, thus the AWP used for the April 1, 2015 motor fuels tax calculation will decrease below the \$2.354 used for the January 1, 2015 tax calculation and the AWP that will be used for the July 1, 2015 calculation will decrease even further. The Kentucky Transportation Cabinet expects AWP to decrease to or near the current floor of 1.786 by April.<sup>1</sup> That would reflect a drop of \$.568 in AWP; a subsequent five cent drop in motor fuels tax and a \$150 million annualized decrease in Road Fund receipts of which 48% or \$72 million will not be available for return to the cities and counties in the form of revenue sharing for local streets and roads.

Given the above scenario and whereas this proposal locks in the July 1, 2015 AWP, the AWP would be locked in at a level which would provide a significantly lower revenue stream for the road fund should the AWP increase in future years.

**Data Source(s):** LRC Staff; Kentucky Transportation Cabinet; <sup>1</sup> Loftus, Tom. “5¢ State Gas Tax Cut Near” *The Courier-Journal* (1/13/15).

**Preparer:** Wendell F. Butler      **Reviewer:** MCY      **Date:** 1/15/15