



calculation due to the volatility of the market and to ensure the funds generated from the motor fuels tax stay at a steady level.

The AWP and the resulting motor fuels tax is adjusted quarterly. The AWPs used for the October 1, 2014 and the January 1, 2015 motor fuels tax calculations dropped .48 cents, from \$2.837 to \$2.354. As a result, the motor fuels tax dropped 4.3 cents per gallon.

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.

Motor fuels tax receipts make up 55% of the road fund. The road fund will decrease \$129 million dollars on an annualized basis due to the October to January decrease in AWP and the resulting drop in the motor fuels tax. **Whereas 48% of the road fund is returned to cities and counties in the form of revenue sharing for local streets and roads, this decrease means \$61.9 million dollars will not be available for local projects.** By increasing the statutory AWP floor to the \$2.354, the motor fuel tax will be stabilized.

An emergency clause (already in KRS 138.210) is necessary in order to enact the \$2.354 floor before the April 1 adjustment date.

**Data Source(s):** LRC Staff, Kentucky League of Cities, Kentucky Transportation Cabinet, Governor's Office of Economic Analysis - Office of State Budget Director

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