

# Statement of Estimated State Revenue Impact

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Bill Number: H. 3645

Authors: Stringer, V.S. Moss, and Jefferson

Committee Requesting Impact: House Ways and Means

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## Bill Summary

A bill to amend Section 12-28-310, as amended, Code of Laws of South Carolina, 1976, relating to the user fee on gasoline and diesel fuel, so as to increase the fee to twenty-one cents a gallon, and to require the department to adjust the user fee annually by an inflation factor equal to the annual average percentage adjustment in the previous ten completed calendar years of the consumer price index; to amend Section 56-11-410, relating to the road tax, so as to increase the road tax in the same manner as the user fee; and by adding Section 56-3-930 so as to impose an additional annual road fee on the owner of a hybrid, plug-in hybrid, or electric motor vehicle, and to set forth the equation by which the additional annual road fee is calculated.

## REVENUE IMPACT <sup>1/</sup>

The bill would increase the motor fuel fee to twenty-one cents per gallon and revenue from motor fuel fees would increase by \$165,834,391 in FY 2013-14. We anticipate the increased fee will slightly reduce demand and affect motor fuel revenues as follows: revenue to the Department of Natural Resources (DNR) will decrease by \$9,508, revenue to the 'C' fund will decrease \$194,542, and net revenue to the Department of Transportation (DOT) will increase \$166,038,441. Of the net revenue to DOT, the transfer of \$0.01 per gallon of gasoline revenue to the State Infrastructure Bank will decrease \$73,136.

Revenue to the Department of Health and Environment Control (DHEC) for the \$0.005 per gallon environmental fee will decrease \$45,468 in FY 2013-14. Inspection fee revenue of \$0.0025 per gallon will decrease by \$2,273 for the 10% to the Department of Agriculture and \$20,461 for the remaining 90% to DOT.

Beginning in FY 2014-15 we estimate that inflation will increase the fee to \$0.215. The new road fee for hybrid, plug-in hybrid and electric motor vehicles would generate an estimated \$2,755,861 in FY 2014-15 to be credited to the State Highway Fund.

## Explanation of the Bill

This bill would increase the current motor fuel user fee of sixteen cents per gallon to twenty-one cents per gallon. Beginning on July 1, 2014 the Department of Revenue will increase the user fee annually for inflation. The increase in the fee is limited to one and one-half cent per year. Any excess collections above sixteen cents must be credited to the State Highway Fund. The current \$0.005 per gallon environmental and \$0.0025 per gallon inspection fees remain the same. For 2013-14, we anticipate that increasing the motor fuel fee to twenty-one cents will result in a small reduction in the demand for motor fuels. We estimate motor fuel demand at 3,354,881,250 gallons at the current rate and a reduction to 3,345,787,578

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gallons at the increased rate of twenty-one cents. The additional motor fuel revenue for FY 2013-14 generated at the increased rate is estimated to be \$165,834,391 for total collections of \$702,615,391. The net impact on the distribution of revenues from motor fuel fees and the environmental and inspection fees is listed below.

### FY 2013-14

Impact on Motor Fuel Revenue Distribution	Current Law	Proposed Law (H.3645)	Net Impact
1% of 13-cent Gasoline Revenue to DNR [12-28-2730(A)]	\$ 3,448,435	\$ 3,438,927	(\$ 9,508)
2.66 cent of Gasoline Revenue to 'C' Funds for Counties [12-28-2740(A)]	\$ 70,560,285	\$ 70,365,743	(\$ 194,542)
10.34 cent Motor Fuel Revenue to DOT [12-28-2720]	\$ 274,283,213	\$ 273,526,987	(\$ 756,226)
\$0.01 of gasoline fee transfer from DOT to State Infrastructure Bank [11-43-160(A)]	\$26,526,423	\$26,453,287	(\$73,136)
Remaining Motor Fuel Revenue to State Highway Fund [12-28-2750]/H.3645 [12-28-310(E)]	\$ 143,962,644	\$ 310,830,446	\$ 166,867,803
Net revenue to DOT	\$ 418,245,857	\$ 584,357,434	\$ 166,038,441
\$18M of 3 cents to DOT State Non-Federal Aid Highway Fund [12-28-2910(A)]	\$ 18,000,000	\$ 18,000,000	\$ 0
<b>Total Motor Fuel User Fee Revenue</b>	<b>\$536,781,000</b>	<b>\$ 702,615,391</b>	<b>\$ 165,834,391</b>
0.5 cent per gallon Environmental Fee Revenue to DHEC [12-28-2355(B)]	\$ 16,774,406	\$ 16,728,938	(\$ 45,468)
10% of 0.25 cent per gallon Inspection Fee Revenue to Department of Agriculture [12-28-2355(C)]	\$838,720	\$836,447	(\$ 2,273)
90% of 0.25 cent per gallon Inspection Fee Revenue to DOT[12-28-2355(C)]	\$7,548,483	\$7,528,022	(\$ 20,461)
0.25 cent per gallon Total Inspection Fee Revenue [12-28-2355(A)]	\$ 8,387,203	\$ 8,364,469	(\$ 22,734)

Beginning July 1, 2014 we estimate that the motor fuel fee will increase by 2.51% based upon the CPI for 2003 to 2012 and assuming inflation of 3% for 2013. With this inflation adjustment, the motor fuel fee will increase to an estimated \$0.215 per gallon in FY 2014-15.

Section 3 adds a new road fee required to register and license a hybrid, plug-in hybrid or electric motor vehicle starting July 1, 2014. The fee is determined by multiplying the motor fuel fee by the fraction of the average miles driven as determined by the US Department of Transportation divided by the average miles per gallon of the vehicle being registered as determined by the US Environmental Protection Agency. Based upon our research, the average annual miles driven is 12,888 reported by the US DOT in the 2009 National Household Travel Survey. Using an estimated average hybrid vehicle miles per gallon of 46,

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the road fee would average \$60.24 per vehicle in 2014. The Annual Energy Outlook for 2013 from the US Energy Information Administration estimates that there will be approximately 3,050,000 hybrid vehicles in the US in 2014. Multiplying this figure by 1.5%, we estimate that there will be 45,750 hybrid vehicles in SC subject to the new road fee. At an average fee of \$60.24, the total revenue for this fee to be credited to the State Highway Fund would be \$2,755,861 in FY 2014-15.



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Frank A. Rainwater  
Chief Economist

Analyst: Jolliff

<sup>14</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.