DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington St., S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

February 13, 2019

Honorable Brett Harrell
Chairman, House Ways and Means
133 Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 48 (LC 44 0980)

Dear Chairman Harrell:

The bill would restore motor fuel tax exemptions for public mass transit, public campus transportation vehicles, and public school buses, which expired and were no longer available after June 30, 2015. The bill does not specify an effective date, though the exemption is assumed to apply beginning July 1, 2019 for the purposes of the fiscal note.

Impact on State Revenue
Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease state revenue by $15 to $16 million in fiscal year 2020 (Table 1). The revenue loss would be slightly higher in subsequent years. The attached appendix details the analysis.

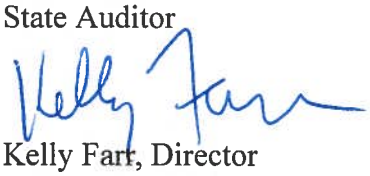
Table 1. Estimated State Revenue Loss from HB 48 (LC 44 0980)

($ millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
High Revenue Loss	$15.55	$16.34	$17.01	$17.52	$18.04
Low Revenue Loss	$14.54	$14.94	$15.20	$15.31	$15.41

Impact on State Expenditures
The Department of Revenue would require no additional funds to implement the provisions of the bill.

Sincerely,

Greg S. Griffin
State Auditor



Kelly Fart, Director
Office of Planning and Budget

GSG/KF/st

Analysis by the Fiscal Research Center

HB 48 (LC 44 0980) proposes to restore motor fuel tax exemptions under O.C.G.A. §48-9-3(b)(10) and (11) for public mass transit and campus transportation systems, and for public school buses. Qualifying public transportation systems are those receiving or eligible for federal transportation funding and that routinely charge passenger fares. Eligible fuel purchases are for use in vehicles used exclusively for revenue generating purposes. Eligible public campus transportation systems must have a policy providing for free transfer of passengers from the public transportation system operated by the jurisdiction in which the campus is located. Eligible public school fuel purchases are those for the exclusive use of the school system in operating school buses when the motor fuel is purchased and paid for by the school system.

Mass transit and campus transportation vehicles, and school buses in Georgia consume diesel fuel, gasoline, and compressed natural gas (CNG) and these purchases are currently taxable under the motor fuels tax. In calendar year 2019, the motor fuel tax rates on these products are 30.8 cents per gallon for diesel, and 27.5 cents per gallon or gallon equivalent for gasoline and CNG. The rates are adjusted annually based on the rate of change in the average fuel efficiency of new vehicles registered each year in Georgia and, until July 1, 2022, the year over year change in the consumer price index (CPI). For purposes of the estimates, motor fuel tax rates are projected, as shown in Table 2, based on the following assumptions:

- DOR calculations of motor fuel tax rate for CY 2018 and 2019 show average fuel efficiency of new vehicles sold in Georgia declining by 0.09 percent in 2017 and increasing by 0.56 percent in 2018. The EIA estimates that sales-weighted average fuel efficiency for new cars and light trucks sold in the US improved by about 2.7 percent in 2018 and will improve by about 4.1 percent annually, on average between 2019 and 2023.
- The lower average fuel economy figure from DOR for 2018, used in making the adjustment for CY 2019 fuel tax rates, is not directly comparable to the EIA estimate. It is apparently an unweighted average of fuel economy ratings for vehicle models sold in the state rather than an average weighted by the sales of each model, which should more closely resemble the EIA figures except for differences in vehicle preferences here compared to the nation as a whole. Nevertheless, the estimates assume fuel efficiency gains above those reported by DOR for the last two years, specifically one percent annual growth in fuel efficiency between 2019 and 2023.
- The CPI adjustment for the CY 2020 fuel tax rates, based on actual CY 2018 CPI inflation, is 1.9 percent. CY 2021 and CY 2022 tax rates assume inflation rates drawn from the latest available Congressional Budget Office forecasts of 2.1 percent for 2019 and 2.5 percent for 2020. It is assumed, based on the language of current law, that no CPI adjustment would be made for the CY 2023 tax rates.

Table 2. Projected Motor Fuel Tax Rates

(in $)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Diesel	0.313	0.322	0.329	0.332	0.335
Gasoline	0.279	0.288	0.294	0.297	0.300
CNG	0.279	0.288	0.294	0.297	0.300

Data from the National Transit Database (NTD) indicate that mass transportation and campus transportation vehicles in the state consumed approximately 6.2 million gallons of diesel fuel, 1.2 million gallons of gasoline, and 6.2 million gallon equivalents of CNG in FY 2017. Based on student transportation fuel expenditure data from the Georgia Department of Education (DOE), diesel and gasoline price data from the EIA, and bus fuel efficiency estimates from trade publisher School Bus Fleet, it is estimated that public school buses consumed 31.5 million gallons of diesel fuel and 3.1 million gallons of gasoline in FY 2017. The estimates assume the following with regard to projected fuel consumption for eligible vehicles:

- Based on data from the NTD, diesel fuel consumed by mass transit and campus transportation has been declining since 2009 due to fuel efficiency gains and the apparent switching to vehicles that use other fuels. From 6.2 million gallons in FY 2017, diesel fuels consumed by mass transportation and campus transportation agencies are expected to remain flat in the high case or decline by 3.5 percent annually in the low case.
- The NTD also reports that gasoline consumed by mass transit and campus transportation has been increasing rapidly since 2009. From 1.2 million gallons in FY 2017, gasoline consumed by mass transportation and campus transportation agencies is expected to increase by between 5 percent and 10 percent annually in the low and high cases respectively.
- Finally, CNG consumed by mass transit and campus transportation has grown very little since 2009. From 6.2 million gallons in FY 2017, CNG consumed by mass transportation and campus transportation agencies is expected to remain flat in the low case and grow by 2 percent annually in the high case.
- Estimated fuel consumption by public school bus fleets since FY 2011 shows fluctuations, but no discernable trend. Thus, diesel fuels and gasoline consumed by public school systems are assumed to remain flat in the low case and to grow at two percent annually in the high case.

Table 3. High and Low Gallons Consumed Estimates

(gallons, millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Mass Transit and Campus Transportation					
High Case:					
Diesel	6.15	6.15	6.15	6.15	6.15
Gasoline	1.62	1.78	1.96	2.15	2.37
CNG	6.57	6.70	6.84	6.97	7.11
Low Case:					
Diesel	5.53	5.33	5.15	4.97	4.79
Gasoline	1.41	1.48	1.55	1.63	1.71
CNG	6.19	6.19	6.19	6.19	6.19
Public School Buses					
High Case:					
Diesel	33.40	34.06	34.75	35.44	36.15
Gasoline	3.25	3.31	3.38	3.45	3.51
Low Case:					
Diesel	31.47	31.47	31.47	31.47	31.47
Gasoline	3.06	3.06	3.06	3.06	3.06