

FISCAL NOTE

Requested by Legislative Council
01/12/2007

Bill/Resolution No.: HB 1348

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				(\$403,200)		(\$403,200)
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			(\$147,200)	(\$89,600)		(\$147,200)	(\$89,600)	

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill caps the special excise tax of two percent currently imposed on all sales of special fuels, which are exempt from the tax imposed under section 57-43.2-02, at four cents.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Effectively, any time the price of fuel subject to the 2% special fuels excise tax exceeds \$2.00 per gallon, the provisions of this bill would limit the tax to 4 cents per gallon ($\$2.00 \times 2\% = \0.04). Fuel subject to the 2% special fuels excise tax consists of the following:

- Special fuel commonly known as diesel fuel which is dyed for federal fuel tax exemption purposes and sold for use as heating fuel or for an agricultural, industrial, or railroad purpose, and
- Special fuel, other than diesel fuel, sold for use as heating fuel or for an agricultural, industrial, or railroad purpose

Currently, a five year average price of \$1.17 is being use to compute the projection for the two percent special excise tax being deposited into the Highway Tax Distribution Fund. Therefore, using the five year average price, this bill initially appears to have no fiscal impact at this time.

However, given the large increases in fuel prices over the last two years, evaluation of this bill using more current fuel prices shows that this bill will produce a negative impact to the revenues for the Highway Tax Distribution Fund. Using the last 12 month average price of \$2.05 per gallon and a consumption of approximately 640 million gallons, this bill would result in a revenue reduction to the Highway Tax Distribution Fund of approximately \$640,000 per biennium. This is the scenario presented above in the Fiscal Effect Sections 1A and 1B.

For comparison purpose, should the price of the fuel continue to rise, the revenue that would not be realized under the provisions of this bill would likewise increase. For example, if the average price of the fuel were \$2.55 per gallon, the total revenue that would not be realized because of the 4 cent cap would be approximately \$7,040,000.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Based on the average price over the last 12 months (\$2.05/gallon) and an average annual consumption of 640,000,000 gallons, this bill would result in a revenue loss to the Highway Tax Distribution Fund of approximately \$640,000 (640,000,000 gallons x \$.05 average price above effective cap x 2% excise tax).

A revenue loss of \$640,000 to the Highway Tax Distribution Fund would be divided between the NDDOT, cities, and counties as follows: NDDOT - \$403,200 (63%), counties - \$147,200 (23%), and cities - \$89,600.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Shannon L. Sauer	Agency:	NDDOT
Phone Number:	328-4375	Date Prepared:	01/19/2007