

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 919 (First Edition)

SHORT TITLE: Boat Fuel Tax for Boats

SPONSOR(S): Reps. Wilkens, et al

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
REVENUES					
Highway Fund	(\$3,841,711)	(\$3,936,042)	(\$4,058,855)	(\$4,172,413)	(\$4,293,296)
Highway Trust Fund	<u>(1,686,039)</u>	<u>(1,727,854)</u>	<u>(1,780,923)</u>	<u>(1,829,993)</u>	<u>(1,882,228)</u>
	(\$5,527,750)	(\$5,663,896)	(\$5,839,778)	(\$6,002,406)	(\$6,175,524)
EXPENDITURES					
Wildlife Resources Fund					
Additional Boating Funds	\$132,425	\$134,763	\$140,824	\$146,429	\$152,394
New Grant Funds	<u>\$5,395,325</u>	<u>\$5,529,133</u>	<u>\$5,698,954</u>	<u>\$5,855,977</u>	<u>\$6,023,130</u>
	\$5,527,750	\$5,663,896	\$5,839,778	\$6,002,406	\$6,175,524
POSITIONS:	NA	NA	NA	NA	NA
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Wildlife Resources Commission, Department of Revenue					
EFFECTIVE DATE: Effective July 1, 1997.					

BILL SUMMARY: This act annually credits to the Wildlife Resources Fund an amount equal to the motor fuel tax paid on gasoline used in boats in the previous fiscal year minus any refunds to boat owners. The North Carolina Wildlife Resources Commission currently receives 1/6 of 1% of the motor fuels tax for use in boat access acquisition, development, and maintenance, and boating safety (G.S. 105-449.126). This tax provision should provide the Commission an estimated \$1,237,306 in FY 1996-97. This draft bill deletes this provision and replaces it with a credit to the Wildlife Resources Fund equal to the tax on .83% of the gallons of gasoline sold in the previous fiscal year minus any tax refunds to boaters. The Wildlife Resources Commission will be given 20% of the funds to continue their boat access and water safety activities. This

replaces the 1/6 of 1% of the motor fuels tax they now receive. The remainder will be used for a grants program to 1) control aquatic weeds and 2) acquire construct and renovate boating facilities, related recreational facilities, and lake administration facilities. State, federal and local government entities, lake authorities, and nonprofit organizations may apply for the grants.

BACKGROUND:

Several states have dedicated a percentage of their motor fuels tax to boating funds.

- a) Maine dedicates 2% of its gasoline tax, not to exceed \$2 million, to water activities. 20% of the funds go the Commissioner of Marine Resources for projects to benefit commercial and sports fisheries. The other 80% of the money goes to the Boating Facilities Fund in the Maine State Bureau of Parks and Recreation.
- b) Minnesota credits 1.5% of the gasoline tax to a water recreation account that is used for acquisition, development, maintenance and rehabilitation of sites for public access and boating facilities on public waters; lake and river improvement; state park development; and boat and water safety .
- c) Michigan uses 1.6% of the motor fuels tax for water activities.
- d) Arizona uses a portion of its motor fuels tax to fund a State Lake Improvement Fund.

ASSUMPTIONS AND METHODOLOGY:

Price Waterhouse conducted a National Recreational Boating Survey in 1990 and 1991 on behalf of the U.S. Coast Guard and the U. S. Fish and Wildlife Service. The survey included both gasoline and diesel fuel used for recreational purposes in all types of motorized watercraft (motorboats, sailboats with auxiliary motors, canoes and row boats with motors, and jet-skis). A random sample of registered motorboat owners was asked by telephone and mail how much fuel they purchased for recreational boating. The surveyed boaters were also asked where they purchased their fuel and where they boated. A small sample was asked to keep diaries of fuel purchases.

Price Waterhouse estimated that the 279,000 motorboats registered in North Carolina for recreational boating from December 1, 1990 to November 30, 1991 used an estimated 28,557,000 gallons of fuel. Approximately 94% of the fuel used in this period was gasoline (26,843,580 gallons).

The taxable gasoline gallonage for the 1990 and 1991 time period was 3,228,550,441. Dividing the Price-Waterhouse estimate of gasoline consumed by boats by the total taxable gasoline gallonage yields a .83% ratio. Applying the .83% to the FY 1995-96 taxable gallonage gives a boating gallonage of 30,413,524. The following example illustrates the method used to determine the amount to be set aside for a new grant program.

3,664,280,029	FY 1995-96 gas gallonage
<u>x .83%</u>	Ratio of boat use gallons to total gallons

30,413,524
x \$.218

\$6,630,148
- 214,030
\$6,416,118
- 1,283,224
\$5,132,894

Boating gas gallonage
Average fuel tax rate (1995-96)

Tax refunds to boaters (FY 95-96)

20% of total goes to WRC for boat access & safety
Amount available for grants (FY 96-97)

Several factors are used to project the amount transferred to the Wildlife Resources Fund over the next five years. First, the growth in the consumption of motor fuels is projected by the Office of State Budget and Management(OSBM) to increase 2.3% to 3% each year. Over the last four years, consumption growth equaled 2.29%. OSBM also predicts gas prices will be relatively flat over the five year period. Refunds to boaters are expected to be \$225,000 each year unless more is done to promote the refund program.

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
Taxable gallons of gasoline	3,887,302,769	3,980,598,035	4,080,112,986	4,169,875,472	4,265,782,608
Consumption Growth (OSBM)	3.6%	2.4%	2.5%	2.2%	2.3%
<u>Times</u> Boating % of gal.= .83%	32,264,613	33,038,964	33,864,938	34,609,966	35,405,996
<u>Times</u> Gas tax (OSBM)	0.216	0.216	0.217	0.218	0.219
Boat tax funds	\$ 6,969,156	\$ 7,136,416	\$ 7,348,691	\$ 7,544,973	\$ 7,753,913
<u>Minus</u> Refunds to boaters	\$225,000	\$225,000	\$ 225,000	\$ 225,000	\$ 225,000
Transfer to WRC	\$ 6,744,156	\$ 6,911,416	\$ 7,123,691	\$ 7,319,973	\$ 7,528,913
M.F.TAX REVENUE (HF)	\$760,254,000	\$779,700,000	\$802,446,000	\$ 823,479,000	\$845,868,000
<u>Minus</u> Current WRC 1/6 of 1%	\$ 1,216,406	\$ 1,247,520	\$ 1,283,914	\$ 1,317,566	\$ 1,353,389
Additional HF/ HTF to WRC	\$ 5,527,750	\$ 5,663,896	\$ 5,839,778	\$ 6,002,406	\$ 6,175,524
Highway Fund (minus current transfer)	\$ 3,841,711	\$ 3,936,042	\$ 4,058,855	\$ 4,172,413	\$ 4,293,296
Highway Trust Fund	\$ 1,686,039	\$ 1,727,854	\$ 1,780,923	\$ 1,829,993	\$ 1,882,228

The amount allocated to the Wildlife Resources Commission for boating and water safety activities will increase under HB 919.

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
Existing allocation	\$1,216,406	\$1,247,520	\$1,283,914	\$1,317,566	\$1,353,389
Proposed allocation	\$1,348,831	\$1,382,283	\$1,424,738	\$1,463,995	\$1,505,783
Increase	\$132,425	\$134,763	\$140,824	\$146,429	\$152,394

The amount of funds available for the new grant program created by HB 919 is the additional funds transferred from the Highway Fund and the Highway Trust Fund minus the additional allocation for boating and water safety shown above.

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
Additional HF/ HTF to WRC	\$5,527,750	\$5,663,896	\$5,839,778	\$6,002,406	\$6,175,524
Additional to Boating	\$132,425	\$134,763	\$140,824	\$146,429	\$152,394
Available for grant program	\$5,395,325	\$5,529,133	\$5,698,954	\$5,855,977	\$6,023,130

TECHNICAL CONSIDERATIONS:

**FISCAL RESEARCH DIVISION
733-4910**

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DATE: May 20, 1997



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