



## DEPARTMENT OF AUDITS AND ACCOUNTS

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

Russell W. Hinton  
State Auditor  
(404) 656-2174

February 4, 2009

Honorable Doug Stoner  
State Senator  
State Capitol, Room 121-E  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
Senate Bill (LC 28 4439)

Dear Senator Stoner:

This bill would provide an exemption from motor fuel excise taxes for the sale of motor fuel to public school systems when such fuel is used in operating school buses and is paid for by the school system.

The Georgia State University Fiscal Research Center (FRC) provided the following narrative on the revenue impact of this bill:

The proposed legislation would allow for a motor fuel excise tax exemption to school systems operating buses when the fuel is purchased and paid for by the school system.

In fiscal year 2007 (September 2006 to September 2007), Georgia Department of Education's transportation energy expenditures were \$70 million. In September 2006, the Department of Education faced a motor fuel price of \$2.067 per gallon and in September 2007, the motor fuel price increased to \$2.506 per gallon. The average fuel price is \$2.287 per gallon and is used to estimate the total gallons used in FY 2007: 31 million gallons. To forecast motor fuel usage in the future, FRC assumes that schools will need to expand their bus services based on the growth of students enrolled at public schools. Enrollment data for Georgia is collected from the National Center for Education Statistics and between FY 2003 and FY 2007 the average annual growth in students enrolled at public schools was 2.16 percent. Using this average growth rate FRC forecasts future motor fuel usage (gallons) for 2008 through 2012.

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The motor fuel tax rate levied in O.C.G.A. §48-9-3 is \$0.075 per gallon; however O.C.G.A. §48-9-14 levies a second motor fuel tax (prepaid state tax) at 3 percent of the price of fuel net of the 7.5 cent per gallon tax and is also subject to the exemptions outlined in O.C.G.A. §48-9-3. Therefore, public school systems will be exempt from the 3 percent prepaid state tax.

Effective February 1, 2009, the 3 percent prepaid state tax rate for diesel fuel is \$0.077 per gallon and when combined with the \$0.075 per gallon motor fuel excise tax results in a total tax rate of \$0.152 per gallon. FRC assumes that all buses use diesel fuel and the prepaid motor fuel tax rate for diesel remains at \$0.077 per gallon.

Based on these assumptions, Georgia's estimated tax revenue loss in 2009 is \$4.8 million and increases 2.16 percent annually to \$5.2 million in 2012.

<b>Georgia Tax Revenue Loss</b>			
<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
\$4,834,199	\$4,938,391	\$5,044,829	\$5,153,560

Sincerely,

/s/ Russell W. Hinton  
State Auditor

/s/ Trey Childress, Director  
Office of Planning and Budget

RWH/TC/eb/bb