



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	H. 4092	Introduced on March 17, 2021
Author:	Haddon	
Subject:	Repeal User Fee on Motor Fuel	
Requestor:	House Ways and Means	
RFA Analyst(s):	Griffith	
Impact Date:	October 5, 2021	

Fiscal Impact Summary

This bill repeals the motor fuel user fee pursuant to Sections 12-28-310 and 56-11-410. The total fee is 26 cents-per-gallon, and this amount is set to increase to 28 cents-per-gallon in FY 2022-23. When the bill is enacted, the motor fuel user fee will be eliminated, and this change will decrease Other Funds revenue of the Department of Transportation (DOT), Other Funds revenue of the Department of Natural Resources (DNR), and County Transportation Funds (“C” Funds). However, the timing of this elimination will depend on when the bill is enacted. The total fee is expected to generate \$916,340,000 in Other Funds revenue of DOT, \$3,928,000 in Other Funds revenue of DNR, and \$119,753,000 in “C” Funds revenue in FY 2021-22, and some portion of these revenues will not be collected if the bill is enacted to repeal the fee during the fiscal year. For FY 2022-23, the bill is expected to decrease Other Funds revenue of DOT by \$1,023,985,000, Other Funds revenue of DNR by \$4,047,000, and “C” Funds revenue by \$123,392,000.

In addition to the motor fuel user fee, there is levied an inspection fee of 0.25 cents-per gallon and an environmental fee of 0.50 cents-per-gallon, pursuant to Section 12-28-2355. While these fees are not repealed, the liability for the fees arises at the same time and is payable by the same person paying the motor fuel fee, which is repealed. Therefore, it is unclear whether this bill will affect these fees. The fees are expected to generate \$16,380,000 in Other Funds revenue of DHEC and \$10,000,000 in revenue credited to the State Non-Federal Aid Highway Fund in FY 2021-22, which may be affected depending on the interpretation of this section.

Explanation of Fiscal Impact

Introduced on March 17, 2021

State Expenditure

N/A

State Revenue

This bill repeals the motor fuel user fee pursuant to Sections 12-28-310 and 56-11-410. The total fee pursuant to Section 12-28-310 is 26 cents-per-gallon, and this amount is set to increase to 28 cents-per-gallon in FY 2022-23. While both gasoline and diesel fuel are subject to the same fee, the distribution of fee revenue is different for each and will be discussed separately.

The current distribution of the user fee for gasoline in FY 2021-22 is shown in the following table.

Gasoline User Fee Revenue Distribution	Code of Laws Section
\$18 million of the first 3¢ to the State Non-Federal Aid Highway Fund	§12-28-2910
13¢ component	-
0.13¢ (1% of 13¢) to DNR	§12-28-2730 (A)
12.87¢	-
2.6334¢ to "C" Funds	§12-28-2740 (A)
10.2366¢ to DOT	§12-28-2720
0.25¢ of this amount to Mass Transit	§12-28-2725
10¢ component ¹	-
1.33¢ to "C" Funds ²	§12-28-2740 (A)
8.67¢ to Infrastructure Maintenance Trust Fund ³	§12-28-310 (D)
Remaining 3¢ to the State Highway Fund	§12-28-2750
Total Motor Fuel User Fee: 26¢	§12-28-310 (Act 40 of 2017)
Total Environmental and Inspection Fee: 0.75¢	§12-28-2355
0.25¢ Inspection Fee to DOT State Non-Federal Aid Highway Fund	§12-28-2355 (C) (Act 40 of 2017)
0.50¢ Environmental Impact Fee to DHEC	§12-28-2355 (B)

1 – Motor fuel user fee increases by 2¢ per year for six years beginning July 1, 2017, for a total increase of 12¢ by July 1, 2022.

2 - Pursuant to Proviso 86.1 of the FY 2021-22 Appropriations Act, the increase in "C" Funds is taken from the 2¢ increase per year of the gasoline user fee.

3 - Pursuant to Proviso 86.1 of the FY 2021-22 Appropriations Act, the Motor Fuel User Fee increase pursuant to §12-28-310 on gasoline is reduced by the increase in the allocation to "C" Funds. (See footnote 1)

In FY 2022-23, the 10 cents-per-gallon component will increase to 12 cents-per-gallon, and the revenue generated from the increase will be credited to the Infrastructure Maintenance Trust Fund (IMTF).

The following table shows our latest motor fuel demand projections and projected revenue decrease for gasoline based upon the bill. When the bill is enacted, the full motor fuel user fee will be eliminated, which will decrease Other Funds revenue of DOT, Other Funds revenue of

DNR, and revenue allocated to “C” Funds. However, the timing of this reduction will depend on when the bill is enacted. The fee is expected to generate a total of \$785,580,000 in gasoline revenue in FY 2021-22, and some portion of this revenue will not be collected if the bill is enacted to eliminate the fee during the fiscal year. For FY 2022-23, the bill is expected to decrease total gasoline revenue by approximately \$871,723,000.

Fiscal Year	Projected Gasoline Gallons (Billions)	Projected Revenue Decrease to Other Funds of DOT	Projected Revenue Decrease to Other Funds of DNR	Projected Revenue Decrease to “C” Funds	Projected Total Gasoline Revenue Decrease
2021-22	3.021	\$661,899,000*	\$3,928,000*	\$119,753,000*	\$785,580,000*
2022-23	3.113	\$744,283,000	\$4,047,000	\$123,392,000	\$871,723,000

Estimates may not sum to totals due to rounding.

*Figures represent a full fiscal year. Actual FY 2021-22 reduction will depend upon when the bill is enacted.

Currently, revenue from 16 cents-per-gallon of the fee on diesel fuel is remitted to the State Highway Fund. The remainder is remitted to the IMTF. Thus, the IMTF will receive 10 cents-per-gallon in FY 2021-22 and 12 cents-per-gallon in FY 2022-23 under current law.

The table below shows our latest motor fuel demand projections and projected revenue decrease for diesel fuel based upon the bill. The motor fuel user fee is expected to generate a total of \$254,440,000 in diesel revenue in FY 2021-22, and some portion of this revenue will not be collected if the bill is enacted to eliminate the fee during the fiscal year. For FY 2022-23, the bill is expected to decrease total diesel revenue by approximately \$279,702,000.

Fiscal Year	Projected Diesel Gallons (Billions)	Projected Revenue Decrease to SHF	Projected Revenue Decrease to IMTF	Projected Total Diesel Revenue Decrease
2021-22	0.979	\$156,579,000*	\$97,862,000*	\$254,440,000*
2022-23	0.999	\$159,830,000	\$119,872,000	\$279,702,000

Estimates may not sum to totals due to rounding.

*Figures represent a full fiscal year. Actual FY 2021-22 reduction will depend upon when the bill is enacted.

In addition to the motor fuel user fee, an inspection fee of 0.25 cents-per gallon and an environmental fee of 0.50 cents-per-gallon are imposed on both gasoline and diesel, pursuant to Section 12-28-2355. While these fees are not repealed, the liability for the fees arises at the same time and is payable by the same person paying the motor fuel fee, which is repealed. Therefore, it is unclear whether this bill will affect these fees. The fees are expected to generate \$16,380,000 in Other Funds revenue of DHEC and \$10,000,000 in revenue credited to the State

Non-Federal Aid Highway Fund in FY 2021-22, which may be affected depending on how the liability for the fee is interpreted.

Local Expenditure

N/A

Local Revenue

As outlined in the State Revenue section of this fiscal impact statement, revenue directed to counties in the form of “C” Funds, will decrease when this bill is enacted. Revenues from “C” Funds are allocated to counties for transportation-related construction, improvements, and maintenance. The fee is expected to generate \$119,753,000 in “C” Funds revenue in FY 2021-22, and some portion of this revenue will not be collected if the bill is enacted to eliminate the fee during the fiscal year. For FY 2022-23, the bill is expected to decrease “C” Funds revenue by approximately \$123,392,000.



Frank A. Rainwater, Executive Director