REVENUE IMPACT OF PROPOSED LEGISLATION

Seventy-Eighth Oregon Legislative Assembly
2015 Regular Session
Legislative Revenue Office

Bill Number:	**SB 324 - MRA**
Revenue Area:	**Transportation Fuel**
Economist:	**Mazen Malik**
Date:	**Feb-11-2015**

Only Impacts on Original or Engrossed Versions are Considered Official

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The revenue impact of this measure is indeterminate:

The minority report amendment provides for a referral of the original bill to the vote of the people in a November 2015 special election. If the result of the vote is no, then there will be no revenue impact for this measure. However, if the result of the vote is to approve the original bill language, then different outcomes will come into play, with the net effect of those interactions highly uncertain and equally likely.

Highway fund impacts: Revenues to the highway fund might be impacted negatively as a result of the price increases due to the costs added to the fuels at the consumer level. These increased costs are due to biofuels blending into conventional gasoline or diesel for consumption in the existing vehicle fleet. However, the level of the price increases are not known to a degree that allows for evaluation and forecasting of the price elasticity or impacts on demand, but they are capped by 4% determination of price increase estimated by the office of economic analysis. It is possible, however, for advanced vehicle technologies might be deployed, which results in more efficient consumption of alternative fuels such as natural gas, electricity, or hydrogen and consequently the new technology will alter the effect of higher prices. However, it's more likely that fuel efficiency and MPG levels will respond negatively, which leads to the assumption of higher demand on fuel which will result and persist. This higher demand on fuel might produce enough new revenue to offset the loss due to the price elasticity, but that level of offset is not clear at this point. Data from DEQ seem to suggest the same conclusion where the proposed standards/rules require a 10 percent reduction in average carbon intensity from 2015 to 2025, but it does not get to reduce the GHG emission by 10%.

Personal income or other taxes: There can be additional impacts on the fuel and transportation industry and other tax revenue streams. The general idea assumes that the introduction of the clean fuel requirements can be a significant incentive for production of alternative fuels which might increase investment, employment, and income with all the associated tax revenue. It could on the other hand expand the reliance on out of state imports of fuel blends, consequently reducing investments, employment, and income and the associated tax revenues.

In conclusion, the net effect of interactions of these forces is highly uncertain and equally likely, which leads to the indeterminate revenue impact designation of this measure.

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