

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Eighth Oregon Legislative
Assembly
2015 Regular Session
Legislative Revenue Office**

Bill Number:	SB 324 - A
Revenue Area:	Transportation Fuels
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***Only Impacts on Original or Engrossed
Versions are Considered Official***

The revenue impact of this measure is indeterminate:

The net effect of interactions of the following impacts is 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. On the other hand, advanced vehicle technologies can be deployed, which consume alternative fuels such as natural gas, electricity, or hydrogen. However, due to constraints on how quickly the vehicle fleet can be turned over and the speed of deployment of advanced vehicle technologies which are able to consume those fuels without losing fuel efficiency and MPG levels, the assumption of higher demand on fuel 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%.

Fines and Civil Penalties: The program centers on the idea of capping the intensity of the fuel and trading credits to achieve offsets for the importers/producers who couldn't comply. The program implies a market trading mechanism regulated by DEQ but without governmental fees. However, there are a number of civil penalties that can result from noncompliance. The structure and revenue from these penalties is also not clear at this time.

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.