



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
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State Fiscal Note for Bill Number:

2025-H 5467

Date of State Budget Office Approval: Monday, April 7, 2025

Date Requested: Monday, March 31, 2025

Date Due: Thursday, April 10, 2025

<i>Impact on Expenditures</i>	<i>Impact on Revenues</i>
FY 2025 \$0	FY 2025 \$0
FY 2026 \$0	FY 2026 \$0
FY 2027 \$0	FY 2027 \$0

Explanation by State Budget Office:

This bill would amend Rhode Island General Laws (R.I. Gen. Laws) Chapter 31-36 entitled “Motor Fuel Tax” by amending R.I. Gen. Laws § 31-36-20 titled “Disposition of proceeds” to keep the current motor fuel tax allocation to the Intermodal Surface Transportation Fund (ISTF) through FY 2025. For FY 2026 and thereafter, this bill proposes that 30% of total motor fuel tax proceeds, including 30% from the \$0.01 per gallon environmental protection fee, should be transferred to the Rhode Island Public Transit Authority (RIPTA).

Under current law, the motor fuel tax is charged at \$0.37 per gallon on the distribution of motor fuel in the state with an additional \$0.01 environmental protection fee for a total state tax of \$0.38. RIPTA receives \$0.0975 of these motor fuel taxes (which includes \$0.005 of the \$0.01 per gallon environmental protection fee).

Summary of Facts and Assumptions:

The effective date of this bill is upon passage. As a simplifying assumption for this analysis, the Office of Revenue Analysis (ORA) assumed the proposal would take effect July 1, 2025.

Motor fuel tax revenues are other funds and are divided among several recipients. The \$0.37 per gallon motor fuel tax is divided among the following recipients in FY 2025: \$0.2125 is dedicated to Department of Transportation (DOT); \$0.035 to the Rhode Island Turnpike and Bridge Authority (RITBA); \$0.020 to motor fuel revenue tax bonds; \$0.010 to the Department of Human Services DHS, Division of Elderly Affairs (DEA) elderly transportation program; and \$0.0925 to RIPTA. An additional environmental protection fee of \$0.01 per gallon is levied on the delivery of motor fuel to underground storage tanks. This \$0.01 surcharge is divided evenly between RIPTA and the Rhode Island Department of Environmental Management’s (DEM) Underground Storage Tank Review Board. Therefore, RIPTA receives \$0.0975 in total.

The motor fuel tax is adjusted every other year based on the percentage change in the Consumer Price Index for all Urban Consumers (CPI-U), rounded to the nearest \$0.01 increment. In December 2024, the Division of Taxation announced the motor fuel tax would increase from \$0.37 in FY 2025 to \$0.38 in FY 2026 and FY 2027. The additional funds generated from the tax increase are then appropriated



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to DOT pursuant to R.I. Gen Laws § 31-36-20. The total state tax, inclusive of the environmental protection fee, will therefore be \$0.39 in FY 2026 and FY 2027.

The bill proposes that RIPTA receive 30% of the total motor fuel tax proceeds, including 30% from the \$0.01 per gallon environmental protection fee and does not indicate any changes to the transfers of the remaining motor fuel tax recipients. Given the assumption that this change would be effective beginning in FY 2026, ORA used the FY 2026 motor fuel tax of \$0.38 and the \$0.01 environmental protection fee. ORA allocated 30% of the \$0.01 environmental protection fee to RIPTA, resulting in a \$0.003 share for RIPTA and a \$0.007 for DEM (this would decrease RIPTA's share of the environmental protection fee and increase DEM's share). ORA then allocated 30% of the \$0.38 motor fuel tax to RIPTA, resulting in an allocation of \$0.1140. Together, RIPTA would receive \$0.1170 of the motor fuel taxes dedicated to transportation.

ORA redistributed the remaining tax revenue across the rest of the recipients according to historical proportions. As a result, this proposal would only impact the amount of tax transferred to each recipient but would not affect the total motor fuel tax collections. It is important to note that this proposal does decrease the share of the motor fuel tax going to transportation, from \$0.3850 to \$0.3830, and correspondingly increases the allocation for DEM from \$0.005 to \$0.007.

In November 2024, ORA forecasted \$163,417,062 in motor fuel tax revenue in FY 2026 (inclusive of \$0.005 of the environmental protection fee), which would be allocated as follows: \$41,384,840 to RIPTA (including the environmental protection fee), \$4,244,599 to DEA, \$94,442,328 to DOT, \$8,489,198 to motor fuel tax revenue bonds, and \$14,856,097 to RITBA. Passage of this bill would change the FY 2026 motor fuel tax distribution as follows: \$49,661,808 to RIPTA, \$3,927,177 to DEA, \$87,379,684 to DOT, \$7,854,354 to motor fuel tax revenue bonds, and \$13,745,119 to RITBA. This results in an increase to RIPTA of \$8,276,968, a decrease to DEA of \$(317,422), a decrease to DOT of \$(7,062,644), a decrease to motor fuel tax revenue bonds of \$(634,844), and a decrease to RITBA of \$(1,110,978). DEM receives an additional \$848,920 from their increased share of the environmental protection fee.

For FY 2027, ORA projected that motor fuel tax revenue under current law would be \$158,547,428 (inclusive of \$0.005 of the environmental protection fee), allocated as follows: \$38,092,564 to RIPTA, \$4,118,115 to DEA, \$91,628,059 to DOT, \$8,236,230 to motor fuel tax revenue bonds, and \$14,413,403 to RITBA. Passage of this bill would change the FY 2027 motor fuel tax distribution as follows: \$48,181,946 to RIPTA, \$3,810,152 to DEA, \$84,775,873 to DOT, \$7,620,303 to motor fuel tax revenue bonds, and \$13,335,531 to RITBA. This results in an increase to RIPTA of \$8,853,947, a decrease to DEA of \$(307,963), a decrease to DOT of \$(6,852,185), a decrease to motor fuel tax revenue bonds of \$(615,927), and a decrease to RITBA of \$(1,077,872), DEM receives an additional \$823,623 from their increased share of the environmental protection fee.

Comments on Sources of Funds:

All motor fuel taxes are other funds and are deposited in the Intermodal Surface Transportation Fund.



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Summary of Fiscal Impact:

FY 2025: No revenue impact due to the assumed implementation date of the bill.

FY 2026: No revenue impact to total motor fuel taxes but would impact the motor fuel tax distribution across recipients (See Appendix A).

FY 2027: No revenue impact to total motor fuel taxes but would impact the motor fuel tax distribution across recipients (See Appendix A).

Budget Office Signature:  Digitally signed by Joseph Codega Jr.
Date: 2025.04.08 15:59:33 -04'00'

Fiscal Advisor Signature: 

Appendix A

Projected Motor Fuel Tax Distribution Impact

Allocation	Cent	FY 2026	Cent	H-5467 Impact	Variance
		Total Motor Fuel Tax Revenues		Total Motor Fuel Tax Revenues	
RIDOT	22.25	94,442,328	20.59	87,379,684	(7,062,644)
DEA	1.00	4,244,599	0.93	3,927,177	(317,422)
Motor Fuel Tax Bonds	2.00	8,489,198	1.85	7,854,354	(634,844)
RITBA	3.50	14,856,097	3.24	13,745,119	(1,110,978)
RIPTA	9.75	41,384,840	11.70	49,661,808	8,276,968
DEM UST	0.50	2,122,300	0.70	2,971,219	848,920
	39.00	165,539,361	39.00	165,539,361	0

Yield per Penny: 4,244,599 4,244,599

Allocation	Cent	FY 2027	Cent	H-5467 Impact	Variance
		Total Motor Fuel Tax Revenues		Total Motor Fuel Tax Revenues	
RIDOT	22.25	91,628,059	20.59	84,775,873	(6,852,185)
DEA	1.00	4,118,115	0.93	3,810,152	(307,963)
Motor Fuel Tax Bonds	2.00	8,236,230	1.85	7,620,303	(615,927)
RITBA	3.50	14,413,403	3.24	13,335,531	(1,077,872)
RIPTA	9.75	40,151,621	11.70	48,181,946	8,030,325
DEM UST	0.50	2,059,058	0.70	2,882,681	823,623
	39.00	160,606,485	39.00	160,606,485	0

Yield per Penny: 4,118,115 4,118,115