

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5440-01
Bill No.: SB 1183
Subject: Cities, Towns and Villages; Motor Fuel; Taxation and Revenue; Transportation
Type: Original
Date: April 5, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Road Fund	(\$682,258)	(\$1,023,386)	(\$1,023,386)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$682,258)	(\$1,023,386)	(\$1,023,386)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$682,257	\$1,023,386	\$1,023,386

FISCAL ANALYSIS

ASSUMPTION

In response to a similar proposal from this year (HB 1540), officials from the **Department of Revenue (DOR)** assumed the proposal exempts from tax all motor fuel sold to be used by an interstate transportation authority, a city transit authority, or a city utilities board, as defined in Section 94.600, RSMo, to operate a public mass transportation facility.

The excise tax section will have additional refunds to process due to this exemption, this may impede process time. DOR currently does not track fuel usage, therefore, cannot determine the loss of fuel tax revenues the state will experience due to this exemption.

Officials from the **Department of Transportation (MoDOT)** assume this proposal exempts motor fuel used for certain public transportation purposes from motor fuel tax.

MoDOT's current funding has been committed to projects over the next 5 years in the Statewide Transportation Improvement Program. Any decrease in funding will hamper the MoDOT's ability to fulfill its commitments. A loss in transportation funding also could mean the MoDOT's bonding efforts could be jeopardized. Any impact to Missouri highway revenues could invoke concern among bondholders, which would cause interest rates on future bonds to increase.

ASSUMPTION (continued)

The effective date August 28, 2006; total transit bus travel based on FY05; transit buses average 5 miles per gallon.

Estimate of State fuel Tax by Missouri Transit Agencies

	Miles	M.P.G.	Gallons	State Tax Rate	State Tax
Bi-State METRO:	17,200,050	4	4,300,013	.17	\$ 731,002
Call-A-Ride Paratransit	6,250,000	6	1,041,667	.17	\$ 177,083
KCATA	10,500,000	4	2,625,000	.17	\$ 446,250
Springfield City Utilities	1,011,052	4	252,763	.17	<u>\$ 42,970</u>
Total					<u>\$1,397,305</u>

The negative fiscal impact for FY07 will only be for 8 months (November - June) due to the two month lag in the collection of motor fuel tax. $(\$1,397,305 \times 8/12) = \$931,538$

MoDOT states pursuant to Article IV, section 30(a), counties receive a 10% share of the proceeds (11-cents x 10% = 1.1 cents) and cities receive a 15% share of proceeds of the first 11-cents of the motor fuel tax. For the 6-cent motor fuel tax enacted in 1992, counties receive a 15% share of proceeds (6-cents x 15% = .9 cents). The total received by counties is 1.1 cents + .9 cents = 2 cents. The counties' share of the total tax is calculated as the 2 cents divided by 17 cents = 11.76%. Cities also receive a 15% share of proceeds of the 6 cents; thus their share is 15% of the total tax.

The fiscal impact for cities was calculated as follows: FY07 - motor fuel tax $\$931,537 \times 15\% = \$139,731$; FY08 and FY09 motor fuel tax $\$1,397,305 \times 15\% = \$209,596$. The fiscal impact for counties was calculated as follows: FY07 - motor fuel tax $\$931,537 \times 11.76\% = \$109,549$; FY08 and FY09 - motor fuel tax $\$1,397,305 \times 11.76\% = \$164,323$.

Fiscal Year	Total Lost Revenue	State	Cities (15%)	Counties (11.76%)
FY 2007	(\$931,537)	(\$682,257)	(\$139,731)	(\$109,549)
FY 2008 & 2009	(\$1,397,305)	(\$1,023,386)	(\$209,596)	(\$164,323)

The **City of Centralia** assume they would realize a loss of revenue. Centralia has no public mass transit. To the extent that the collective transit entities do not have to pay such tax, the state-wide pot of taxes will be smaller and thus, the city's pro-rata share of the total will be reduced. The amount should be small, but not de minimus.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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ROAD FUND

<u>Loss of Revenue</u> - Department of Transportation - new exemption for motor fuel tax	<u>(\$682,258)</u>	<u>(\$1,023,386)</u>	<u>(\$1,023,386)</u>
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ESTIMATED NET EFFECT ON ROAD FUND	<u>(\$682,258)</u>	<u>(\$1,023,386)</u>	<u>(\$1,023,386)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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LOCAL POLITICAL SUBDIVISIONS

<u>Savings</u> - Interstate transportation authorities, city transit authorities, or city utility boards			
Motor Fuel Tax Exemption	\$931,538	\$1,397,305	\$1,397,305

<u>Loss</u> - Exempt Motor Fuel			
Motor Fuel Tax - Cities	(\$139,731)	(\$209,596)	(\$209,596)
Motor Fuel Tax - Counties	<u>(\$109,549)</u>	<u>(\$164,323)</u>	<u>(\$164,323)</u>
Total <u>Loss</u>	<u>(\$249,280)</u>	<u>(\$373,919)</u>	<u>(\$373,919)</u>

ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$682,257</u>	<u>\$1,023,386</u>	<u>\$1,023,386</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

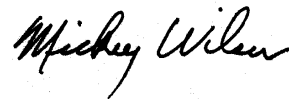
DESCRIPTION

This proposal exempts sales of motor fuel to be used by interstate transportation authorities, city transit authorities, and city utility boards from the motor fuel tax.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
Department of Revenue
City of Centralia



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Director
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