

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3064-01  
Bill No.: SB 722  
Subject: Buses; Education, Elementary and Secondary; Motor Fuel; Taxation and Revenue  
- General  
Type: Original  
Date: January 31, 2008

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Bill Summary: This proposal would exempt motor fuel used for school buses from the motor fuel tax.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Road	(\$2,241,956)	(\$2,241,956)	(\$2,241,956)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$2,241,956)</b>	<b>(\$2,241,956)</b>	<b>(\$2,241,956)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Local Government</b>	<b>\$2,241,956</b>	<b>\$2,241,956</b>	<b>\$2,241,956</b>

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume there should be no added cost to BAP as a result of this bill. BAP officials stated that the Department of Elementary and Secondary Education (DESE) may also want to comment on this proposal.

BAP officials assume that exempting motor fuel used to operate public school buses from the Motor Fuel Tax would mean fewer dollars deposited into the Motor Fuel Tax Fund for distribution to the State Highways and Transportation Department Fund, County Aid Road Trust Fund, and funds distributed to cities, towns and villages.

Officials from the **Missouri Department of Conservation** (MDC) assume this proposal would appear to have a negative fiscal impact on MDC funds since it appears to exempt motor fuel used in school buses from sales tax. However, MDC is unable to provide the estimated amount and will rely on DOR for the fiscal impact of this legislation.

Officials from the **Department of Revenue** (DOR) assume this proposal would create the need for form changes and minor Fuel Tax system changes, and for an informational bulletin to be sent to all the school districts in Missouri. DOR Division of Taxation does not anticipate a significant direct impact from this legislation.

DOR officials forwarded an estimate from the Office of Administration Information Technology (ITSD/DOR). ITSD/DOR assumes this proposal could be implemented utilizing 1 existing CIT III for 1 month for modifications to MINITS at a cost of \$4,186. ITSD/DOR assumes the IT portion of this request could be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement.

DOR officials stated that any exemption of fuel tax would reduce the amount of funds distributed to MODOT and political subdivisions. Counties currently receive a 10% share of the proceeds while cities receive a 15% share, 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 and cities receive a 15% share.

ASSUMPTION (continued)

Officials from the **Department of Transportation** (MODOT) assume this proposal would result in reduced collections for the Road fund and to local governments.

According to DESE they expect a 1.002% bus travel growth annually. The total bus miles traveled during the 2006-07 school year was 126,226,556. The average school bus gets 7 miles per gallon. Total gallons used ( $126,226,556/7=18,032,365.14$ ). That would be an income lose of \$3,065,502.07. Adding the 1% growth rate the impact would be (\$3,077,776.34) (FY 09), (\$3,083,931.90) (FY 10) & (\$3,090,099.76) (FY 11) - Note this also includes the lost revenue to cities and counties.

Officials from the **Department of Elementary and Secondary Education** (DESE) assume this proposal would create a savings to school districts and a loss to the state. DESE calculates that total miles traveled by school district owned and contracted buses were 126,045,655 for the 2006-2007 school year. By dividing total miles by an average of 7 miles per gallon, this yields 18,006,522 gallons of fuel used annually. Multiplying gallons of fuel used by 17 cents per gallon (the current Missouri fuel tax) results in an estimated annual fuel tax exemption for school districts of \$3,061,109.

The above estimate assumes that school bus contractors have arrangements or can make arrangements so that the Missouri fuel tax will not be paid by the school bus contractors thereby reducing the cost of bus transportation to school districts. For example, it is a practice by some school districts to purchase the fuel used by contractors.

**Oversight** notes that school mileage reported by DESE did not increase from 2005-2006 to 2006-2007. Oversight assumes for the purposes of this fiscal note that school bus mileage will remain constant, that the school districts would realize the full savings from the proposal, and that administrative costs to the state and the school districts would be minimal. Oversight also assumes the proposal would become effective as of August 28, 2008 and has reflected the fiscal impact for a full school year. Oversight has calculated the estimated impact of this proposal in the following table.

ASSUMPTION (continued)

	FY 2009	FY 2010	FY 2011
Road Fund	\$2,241,956	\$2,241,956	\$2,241,956
Cities	\$459,166	\$459,166	\$459,166
Counties	\$359,986	\$359,986	\$359,986
Total	\$3,061,109	\$3,061,109	\$3,061,109

FISCAL IMPACT - State Government

FY 2009  
(10 Mo.)

FY 2010

FY 2011

**ROAD FUND**

Loss - MODOT

Motor fuel tax exemption for school bus operation.

(\$2,241,956)

(\$2,241,956)

(\$2,241,956)

**ESTIMATED NET EFFECT ON ROAD FUND**

**(\$2,241,956)**

**(\$2,241,956)**

**(\$2,241,956)**

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>LOCAL GOVERNMENTS</b>			
<u>Loss - Cities</u>			
Motor fuel tax exemption for school bus operation.	(\$459,166)	(\$459,166)	(\$459,166)
<u>Loss - Counties</u>			
Motor fuel tax exemption for school bus operation.	(\$359,986)	(\$359,986)	(\$359,986)
<u>Savings - School Districts</u>			
Motor fuel tax exemption for school bus operation.	<u>\$3,061,109</u>	<u>\$3,061,109</u>	<u>\$3,061,109</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>\$2,241,956</u></b>	<b><u>\$2,241,956</u></b>	<b><u>\$2,241,956</u></b>

FISCAL IMPACT - Small Business

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

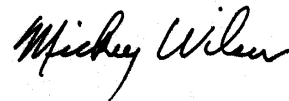
FISCAL DESCRIPTION

This proposal would exempt motor fuel used for school buses 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

Office of Administration  
    Division of Budget and Planning  
Department of Conservatioin  
Department of Elementary and Secondary Education  
Department of Revenue  
Department of Transportation



Mickey Wilson, CPA  
Director  
January 31, 2008