

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6404-06
Bill No.: SCS for HCS for HB 2141
Subject: Motor Fuel; Taxation and Revenue - General; Revenue Department; Boards, Commissions, Committees, Councils; Energy; Mining and Oil and Gas Production; Natural Resources Department
Type: Original
Date: May 13, 2014

Bill Summary: This proposal would modify measurement standards and tax rates for compressed and liquefied natural gas as a motor fuel, and would modify provisions relating to the Missouri Propane Safety Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0	(Less than \$100,000)	\$0
Total Estimated Net Effect on General Revenue Fund	\$0	(Less than \$100,000)	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Agriculture Protection	\$0	(\$21,800 to \$25,000)	Up to \$6,400
Motor Fuel Tax	\$0	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$25,000) to Unknown	Could exceed \$6,400

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Sections 142.803 and 142.869, RSMo. - Measurement Standards and Tax Rates for Compressed and Liquefied Natural Gas as a Motor Fuel:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed a previous version of this proposal would have a statewide impact and would have an impact on the calculation required under Article X, Section 18(e) of the Missouri Constitution.

BAP officials noted the proposal would create tax rates for compressed natural gas and liquefied natural gas as a motor fuel, and would remove them from existing requirements. The tax on compressed natural gas would be five cents per gasoline gallon equivalent from the effective date of the proposal until December 31, 2019, then eleven cents until December 31, 2024, and seventeen cents per equivalent thereafter. The tax on liquefied natural gas fuel would be five cents per diesel gallon equivalent from the effective date of the proposal until December 31, 2019, then eleven cents until December 31, 2024, and seventeen cents per equivalent thereafter.

BAP officials assumed the proposal would increase motor fuel tax revenues, but stated they do not have data on the current or potential usage of these fuels.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** noted a previous version of this proposal would provide motor fuel taxes on Compressed Natural Gas fuel at five cents per gasoline gallon equivalent until December 31, 2019, then eleven cents from January 1, 2020 until December 31, 2024, and seventeen cents after December 31, 2024. Motor fuel tax on Liquefied Natural Gas fuel would be five cents per diesel gallon equivalent until December 31, 2019, eleven cents from January 1, 2020 until December 31, 2024, and seventeen cents after December 31, 2024.

Fiscal impact

DOR officials stated because the Department does not currently track the number of gallons of Compressed Natural Gas and Liquefied Natural Gas sold, it is unclear whether this legislation would impact Total State Revenue.

Administrative impact

DOR officials assumed Excise Tax would be required to make programming changes to the motor fuel tax system to allow for two new fuel types. Conversion to gasoline and diesel equivalent gallons would need to be made either through system programming or through the use of some type of conversion schedule.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$56,020 based on 2,052 hours of programming to make changes to DOR systems.

Oversight notes the DOR comments above indicate additional programming could be required for fees related to motor fuels and will include an unknown cost less than \$100,000 in this fiscal note for programming. Since the program would be effective January 1, 2016, Oversight will assume for fiscal note purposes the cost would be incurred in FY 2016.

Sections 323.010, 323.025, and 323.050, RSMo. - Missouri Propane Gas Commission:

Officials from the **Department of Agriculture** assume these provisions would have no fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **Department of Revenue** and the **Department of Public Safety - Division of Fire Safety** assumed similar language in HB 1897 LR 6069-01 would have no fiscal impact on their organizations.

Officials from the **Department of Transportation** did not respond to our request for information on similar language in HB 1897 LR 6069-01.

Oversight assumes this proposal would have no direct fiscal impact on the state or on local governments.

Sections 413.225 and 413.226, RSMo. - Registration and Inspection of Alternative Fueling Systems:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed a previous version of this proposal would require the Department of Agriculture to establish fees for testing of compressed natural gas meters, liquefied natural gas meters, electrical charging stations, and hydrogen fuel meters, and assume this requirement could result in an unknown increase to Total State Revenues.

In response to a previous version of this proposal, officials from the **Department of Revenue** noted the Department currently collects two fees, the agricultural inspection fee and the transport load fee. It is unclear if those two fees would apply to sales of Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG). If one or both do not apply, then additional programming would be needed to exempt those products.

DOR officials also noted changes would need to be made to motor fuel forms, and additional forms would be needed. Letters would need to be sent out to approximately 750 licensees informing them each time the rate changes, and additional companies would be required to register for a motor fuel tax license and file with the Department. DOR officials estimated postage costs would be (750 licensees x \$0.555 per mailer) = \$416.

Oversight assumes the notifications to existing licensees would be included with regular licensee communications from DOR and will not include any mailing cost in this fiscal note. Oversight notes DOR did not include any administrative costs other than mailing and assumes any other administrative costs are minimal and could be absorbed with existing resources.

ASSUMPTION (continued)

Officials from the **Department of Transportation** deferred to the Department of Revenue for an estimate of the fiscal impact of a previous version of this proposal.

Officials from the **Department of Agriculture (AGR)** assume these provisions would require the Weights and Measures Division to inspect compressed natural gas meters, liquefied natural gas meters, electrical charging stations, and hydrogen fuel meters, and would allow device test fees to be charged for the inspections.

AGR officials stated Missouri currently has 4 stations with 8 retail Compressed Natural Gas (CNG) dispensers, and stated it is unknown how quickly the use of alternative fuels would grow in the marketplace. AGR officials assume the number of compressed natural gas meters would double from current levels in FY 2016, and would double again in FY 2017 but did not project adoption rates beyond FY 2017.

AGR officials anticipated the fee per dispenser would be \$50 and the number of dispensers would double each year going forward. AGR officials assume the following fee revenue would be generated if the number of dispensers increases as expected.

2015: 8 stations X 8 dispensers each X \$50 per dispenser = \$3,200 if fees charged in FY 2015.
2016: 16 stations X 8 dispensers each X \$50 per dispenser = \$6,400 if fees charged in FY 2016.
2017: 32 stations X 8 dispensers each X \$50 per dispenser = \$12,800 if fees charged in FY 2017.

AGR officials assumed a budget request would be submitted for FY 2016 to purchase the CNG dispenser testing equipment (\$25,000) and related personnel travel expenses (\$1,000 annually). Fees for CNG dispensers could be collected in FY 2016 after the purchase of the testing equipment.

AGR officials assumed any additional inspection responsibilities could be assumed by existing staff; however, continued growth of alternative fuel meters and inspections could require additional staff in the future.

Oversight assumes this is an expansion of an existing Department of Agriculture Weights and Measures program for the purpose of regulating and measuring alternative fueling devices, and notes AGR did not request funding for CNG testing equipment in its FY 2015 budget request.

ASSUMPTION (continued)

Oversight notes the Department of Agriculture FY 2015 Governor's Recommended Budget included \$133,383 for in-state travel and \$25,459 for out of state travel and assumes any travel costs related to this proposal could be absorbed with existing resources.

For fiscal note purposes, **Oversight** will assume the initial purchase of inspection equipment, and the assessment of testing fees to CNG dispenser stations and other alternative fueling stations would begin on the effective date of the proposal in FY 2016.

Oversight assumes the creation of a motor fuel tax system for compressed and liquified natural gas would increase motor fuel tax revenues over the current permit fee system but does not have any information as to the amount of motor fuel tax which could be generated. Oversight will include an unknown additional amount of motor fuel tax revenue in the Motor Fuel Tax Fund. Since the program would be effective as of January 1, 2016, the impact would begin in FY 2016.

Oversight notes the additional Motor Fuel Tax Fund revenues would be distributed to the State Highways and Transportation Department Fund and to the agency fund Fuel Tax and Bonds Non-State Fund for distribution to all counties and incorporated cities but will not include those distributions in this fiscal note.

Bill as a whole responses

In response to similar provisions in other proposals, officials from the **Office of the Secretary of State (SOS)** assumed many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTION (continued)

Officials from the **Joint Committee on Administrative Rules** assumed similar provisions in other proposals would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Department of Economic Development - Division of Energy and Public Service Commission**, and the **Department of Natural Resources** assume this proposal would have no fiscal impact to their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
IT changes for motor fuel tax system Section 142.803	<u>\$0</u>	(Less than <u>\$100,000</u>)	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	(Less than <u>\$100,000</u>)	<u>\$0</u>
AGRICULTURE PROTECTION FUND			
<u>Additional income - AGR</u>			
Inspection Fees Section 413.225	\$0	Up to \$3,200	Up to \$6,400
<u>Additional cost - AGR</u>			
CNG Testing Equipment Sections 413.225 and 413.226	<u>\$0</u>	(<u>\$25,000</u>)	<u>\$0</u>
ESTIMATED NET EFFECT ON THE AGRICULTURE PROTECTION FUND	<u>\$0</u>	(\$21,800 to <u>\$25,000</u>)	<u>Up to \$6,400</u>

<u>FISCAL IMPACT - State Government</u>	FY 2015	FY 2016	FY 2017
(Continued)	(10 Mo.)		

MOTOR FUEL TAX FUND

Additional revenue - DOR

Motor fuel tax on alternative fuels Section 142.803	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
--	------------	----------------	----------------

ESTIMATED NET EFFECT ON MOTOR FUEL TAX FUND	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
--	-------------------	-----------------------	-----------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2015	FY 2016	FY 2017
	(10 Mo.)		
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which buy or sell compressed or liquified natural gas as a motor fuel.

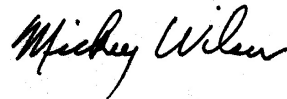
FISCAL DESCRIPTION

This proposal would modify measurement standards and tax rates for compressed and liquefied natural gas as a motor fuel, modify current provisions regarding the Missouri Propane Gas Commission, and create registration and inspection requirements for alternative fueling facilities. This proposal would be effective January 1, 2016.

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 the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Agriculture
Department of Economic Development
Department of Natural Resources
Department of Revenue
Department of Transportation



Mickey Wilson, CPA
Director
May 13, 2014

Ross Strobe
Assistant Director
May 13, 2014